

FOR REPORTS

BEGINNING WITH

1961

PLEASE CONSULT

MICROCARD EDITION



REXALL DRUG COMPANY ANNUAL REPORT



COVER PHOTO: Rexall has pioneered the "up-front" prescription department in drug store layout.



BOARD OF DIRECTORS EXECUTIVE COMMITTEE AUDIT COMMITTEE OFFICERS



incompl.

	EARL E. ANDERSON															. Mor	ntclair, N	J.
	John Bowles																	
	JOHN C. CORNELIUS																	
	JUSTIN W. DART .																	
	Scott J. Dow, Jr.																	
	PAUL A. DRAPER .																	
	JAMES KNOWLES, JI																	
	F. THATCHER LANE																	
	WALTER T. LILLIE																	
	Adé Schumacher																	
	JAMES E. SHELTON																	
	WILLIAM C. TACKE																	
	VERNON F. TAYLOR																	
	THOMAS WOLFE .																	
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	EARL E. ANDERSON																	
	VERNON F. TAYLOR	٠	•	•	•	•	•		•					•	•	San Ante	onio, Texa	S
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	PAUL A. DRAPER .																	
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	JUSTIN W. DART .																	
	ROLAND F. HALLETT																	
	JAMES KNOWLES, JR.					٠											e-Presiden	
	WALTER T. LILLIE																	
	RUDOLPH J. DREWS																	
	HAROLD E. PRICE .	•			•		•	•	•								Secretary	1

TRANSFER AGENTS — Guaranty Trust Company of New York, New York — Second Bank-State Street Trust Company, Boston — Bank of America National Trust & Savings Association, Los Angeles.

REGISTRARS — The Chase Manhattan Bank, New York — The National Shawmut Bank of Boston, Boston — California Bank, Los Angeles.

INDEPENDENT AUDITORS - Price Waterhouse & Co.

GENERAL HEADQUARTERS — Rexall Square, 8480 Beverly Blvd., Los Angeles 54, California.

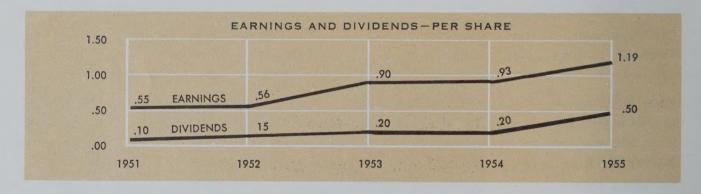
SUMMARY OF INCOME AND EXPENSES

NET SALES - income received from customers	1955	1954
for products sold	\$ 153,465,106	\$ 176,138,112
OPERATING EXPENSES Purchases of materials, products and supplies and expenses of manufacturing,		
distribution and administration	102,403,142	121,444,116
Wages and salaries of employees	36,908,202	42,425,222
Taxes – Federal, State and Local	7,332,467	6,004,370
Interest on borrowed money	826,043	847,269
Wear and tear on plant and machinery	1,929,385	2,150,516
NET EARNINGS – before special items of	\$ 149,399,239	\$ 172,871,493
which there were none in 1955	\$ 4,065,867	\$ 3,266,619
PER SHARE		
Net earnings	\$ 1.19	\$ 0.93
Dividends paid	0.50	0.20
Book value	13.72	12.98

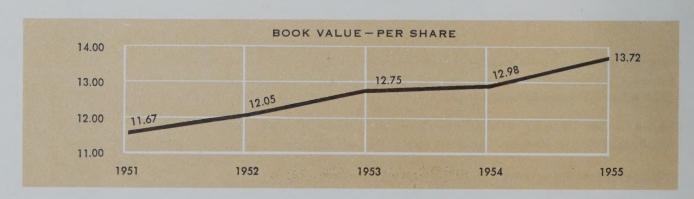
FINANCIAL HIGHLIGHTS

Note: Per share amounts above and in charts below are based upon 3,429,732 shares (net of 71,388 shares of treasury stock) for 1955 and 3,501,120 shares in prior years.

REXALL DRUG COMPANY



REXALL DRUG COMPANY



THE PRESIDENT'S LETTER

To the Stockholders of Rexall Drug Company

Net earnings for 1955 were \$4,065,867 or \$1.19 per share on 3,429,732 shares as compared with \$3,266,619, before special items as shown in the financial statement, or \$0.93 per share on 3,501,120 shares in 1954. All divisions operated profitably in 1955. Net sales for 1955 were \$153,465,106 as compared with \$176,138,112 in 1954. The decline in sales was due mainly to the disposition, as planned, of our Canadian retail company, Mansfield Chocolate Company, two combination drug and grocery stores, Hudson Valley Pure Food Company, Inc., and a group of Company-owned drug stores of marginal potentialities.

At the year end, your Company's cash and short term securities amounted to \$17,829,777 as compared with \$12,463,262 at December 31, 1954.

Regular quarterly dividends of \$0.12½ per share were declared and paid during 1955, or a total of \$0.50 per share as compared with \$0.20 per share during 1954.

As previously reported, on April 29, 1955, the Company's long term debenture debt was adjusted so as to spread the total payments over a longer period of years, thus providing an increase in retained earnings available for dividends or other corporate uses. As adjusted, the Company's long term debt as of December 31, 1955, consisted of \$7,174,320 of 3% debentures due in 1965, \$14,846,000 of 25 year 3%% notes due in 1980, and \$882,691 of real estate obligations with varying maturities.

On May 4, 1955, our former parent company, Rexall Drug, Inc., sole stockholder of Rexall Drug Company, was dissolved. It distributed its holdings of Rexall Drug Company stock to its stockholders in exchange for their Rexall Drug, Inc., stock on a share for share basis. This exchange was made for the purpose of corporate simplification and to eliminate taxes on inter-company dividends. It had no effect on the amounts shown in the financial statements and, therefore, all 1954 amounts in this report have been taken directly from the 1954 report of Rexall Drug, Inc.

Over 99% of the eligible Rexall employees voluntarily joined the Rexall Profit Sharing Retirement Trust as approved at the 1955 Rexall Stockholders' Meeting. For the year 1955 under the terms of this plan the Company contributed \$485,000, or approximately \$1.88 for each \$1.00 contributed by the employees. The employees' contributions are currently invested in U. S. Treasury Bonds and most of the Company's contribution has been invested in Rexall Drug Company capital stock. This stock was purchased by the Rexall Drug Company for the Trust on the New York Stock Exchange.

From an organization and financial standpoint, your Company is in the soundest position in its history.

The Annual Meeting of the Stockholders will be held in Los Angeles, California, on April 24, 1956. In case it is not possible for you to attend, we urge you to exercise your voting rights and mail in your proxy as soon as it is convenient.

Respectfully submitted,

Iustin Dart. PRESIDENT

Justin Das

February 23, 1956.

REXALL DRUG

OPERATING ORGANIZATION AND



PRESIDENT
Justin W. Dart

REXALL DIVISION

John Bowles, Pres.



Distributes nationally advertised Rexall products to approximately 10,000 Rexall Franchise drug stores in the United States.

National Headquarters:

8480 Beverly Blvd., Los Angeles 54, California. **Arch T. Carithers,** Vice-Pres., Eastern Region 43 Leon St., Boston, Mass.

George H. Davis, Vice-Pres., Central Region

3901 N. Kingshighway, St. Louis, Mo. Manufactures Rexall trademarked drugs and cosmetics at 3901 N. Kingshighway, St. Louis, Mo. Manufactures a complete line of stationery and school

Manufactures a complete line of stationery and school supplies at Eastern Tablet Corporation, 1415 Broadway, Albany, New York. Raymond J. Flagg, President.

Manufactures and distributes nationally advertised Rexall products to approximately 1500 Rexall Franchise drug stores in Canada.

Neil Macdonald, President, Rexall Canadian operation. Headquarters: 68 Broadview Ave., Toronto 8, Ontario, Canada.

LIGGETT DRUG COMPANY, INC.

Adé Schumacher, Pres.



Operates 118 Companyowned Liggett retail drug stores on the Eastern Seaboard. Serves 111 Liggett Rexall agency drug stores on the Eastern Seaboard. Headquarters:

71 West 23rd St. New York 10, N.Y.

COMPANY

DESCRIPTION OF DIVISIONS

STAFF OFFICERS

VICE-PRESIDENT AND TREASURER

W. T. Lillie



CONTROLLER

R. J. Drews



VICE-PRESIDENT AND GENERAL COUNSEL

R. F. Hallett



THE OWL DRUG CO.

H. C. Bender, Pres.



Operates 47 Companyowned Owl retail drug stores on the West Coast. Serves 82 Owl Rexall agency drug stores on the West Coast. Headquarters: 8480 Beverly Blvd. Los Angeles 54, Calif.

V. C. A. LABORATORIES

S. C. Prusky, Pres.



Distributes proprietary vitamin products to drug stores throughout the United States and Canada. Its principal product is Rybutol, a nationally-advertised B-complex vitamin. It also distributes Juvenal, a liquid vitamin for children, and a variety of other vitamin preparations.

preparations.
The products of this division are manufactured in St. Louis, Missouri.
Headquarters:
8480 Beverly Blvd.
Los Angeles 54, Calif.

RIKER LABORATORIES, INC.

G. L. Maison, M.D., Pres.



Manufactures ethical drug products which are available to all druggists. These products are sold only by prescription from the physician and are obtained by the druggist from the drug wholesaler. Research and production facilities are located in Los Angeles, California. Other operations of this division are located in Canada, England and South Africa. Headquarters: 8480 Beverly Blvd. Los Angeles 54, Calif.

THE SEAMLESS

A. R. Gow, Pres.



Manufactures hospital and household rubber goods, rubber specialties, adhesive bandages, industrial tapes and sporting goods in New Haven, Connecticut.

Headquarters: The Seamless Rubber Co. New Haven, Conn.

Manufactures first aid and hospital supplies at The Absorbent Cotton Company, Valley Park, Missouri, John R. Gibbons, Vice President and General Manager.

Processes special cotton fabrics used in the abrasive industry at the United Cotton Products Company, Fall River, Mass., Edward Hurst, President.

NEW OPERATING HEAD

appointed for Rexall Division

REXALL FRANCHISE DIVISION

The functions of the Rexall Division cover the manufacture, procurement, distribution and sale of nationally advertised Rexall trademarked products to Rexall franchised drug stores (both independent and Company-owned) throughout the United States and Canada.



JOHN BOWLES, NEW PRESIDENT OF REXALL DIVISION, ADDRESSES MEETING OF REXALL DRUGGISTS.

In September, 1955, John Bowles became President of the Rexall Division. Mr. Bowles' appointment followed a succession of promotions for him within the Rexall Division. He had served in this division as sales representative, district manager, regional manager and, most recently, as vice president in charge of the Western Region.



INTENSIVE STORE IDENTIFICATION PROGRAM TYPIFIED BY ABOVE PHOTO WILL CONTINUE TO BE MAJOR OBJECTIVE IN 1956.

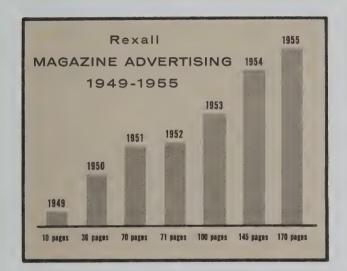
THE REXALL PLAN

It is the purpose and function of the Rexall program to give the Rexall dealers in the United States and Canada (of which there are over 11,000) the advantages of strong national identity, a potent national advertising campaign, distribution of an exclusive line of Rexall merchandise, aggressive sales promotion, participation in store improvement and planning, and sponsorship of a consistent program of community service.

For the last ten years, there has been a consistent and progressive diversion of drug store merchandise from drug stores into super-market and other channels. The aggressive Rexall program has placed Rexall stores in a preferred position to meet this problem.

LIGGETT, OWL

schedule new self-service units



ST. LOUIS PLANT

The transfer of our cosmetics and toiletries facilities from Boston to St. Louis which is now complete, will add materially to the efficiency of our manufacturing operations. Substantial additions of new equipment and installation of air conditioning will be completed in 1956.

WAREHOUSES

As a further means of improving our services to the Rexallites and to lower distribution costs, five new warehouses are in various stages of completion.

The San Francisco area unit will be completed early in 1956. The St. Louis and Boston units are scheduled for completion during 1956. The Columbus, Ohio, and Baltimore, Maryland, units are currently in the planning stages and will be completed early in 1957.

RETAIL DIVISION

This division comprises the Liggett Drug Company, Inc., in the Eastern and Southern states and The Owl Drug Co., on the West Coast.

At the end of 1955 these companies were operating 165 retail drug stores. During 1955, six new stores were opened and 43 stores with limited potentials for chain operation were either sold or closed. Virtually all of the stores sold will continue to be outlets for Rexall products.



NEW OWL DRUG STORE, SAN MATEO, CALIFORNIA.

Plans for 1956 call for the addition of at least ten new stores located in prominent shopping centers on both the Atlantic Seaboard and the Pacific Coast.

Extensive engineering and methods studies carried on for the past few years have helped to improve operating profits by better control of payroll and store expenses.

MANUFACTURING SUBSIDIARIES

stress product development

SEAMLESS GROUP

Included in this operating division are The Seamless Rubber Company of New Haven, Connecticut, The Absorbent Cotton Company of Valley Park, Missouri, and United Cotton Products Company of Fall River, Massachusetts. In each of these companies the development of new products has been accelerated. In 1956, Seamless will start to operate a small installation for the production of polystyrene polymer, a plastic molding powder.



SEAMLESS IS NATION'S LARGEST PRODUCER OF SURGICAL RUBBER GLOVES.

RIKER LABORATORIES, INC.

Riker Laboratories, Inc., is our medical specialty subsidiary. Earnings of this company in 1955 again produced a very satisfactory return on sales and invested capital.

New products to be marketed in 1956 are expected to further increase Riker sales.

Riker's future, like all ethical drug companies, depends upon the success of its research and product development. Its scientific manpower is of high quality. Riker will continue a relatively substantial annual expenditure in its search for new products.

Foreign subsidiaries of Riker are located in Canada, Great Britain and South Africa. Because of increased working capital requirements in these areas, it is not likely that dividends will be initiated to the parent company in 1956.

V.C.A. LABORATORIES

The principal product of this division is Rybutol, a high-potency multi-vitamin and mineral preparation now available in more than 90% of all American drug stores.

This division operated profitably during 1955 and the outlook for 1956 is for continued progress.

EASTERN TABLET

The Eastern Tablet Corporation, manufacturer of a wide line of stationery products, is located in Albany, New York.

Improvement, modernization and enlargement of the facilities of this company are now under consideration.

INDEPENDENT AUDITORS REPORT

PRICE WATERHOUSE & CO.

530 WEST SIXTH STREET

LOS ANGELES 14

February 23 1956

To the Board of Directors of Rexall Drug Company

In our opinion, the accompanying statements present fairly the financial position of Rexall Drug Company and its consolidated subsidiaries at December 31 1955 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhous & Co.

CONSOLIDATED BALANCE

ASSETS

Cash Short term securities at cost, maturing at \$3,002,500 by May, 1956 2,982,601 2,500 17,829,777 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,463,262 12,591,693	CURRENT ASSETS	1955	1954		
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Accounts and notes receivable, less reserves of \$611,450 in 1955 and \$639,506 in 1954 Customers Others Others Inventories, at cost or market whichever lower Raw materials and supplies Raw materials and supplies Raw materials and supplies Solve in process 2,056,923 2,486,725 Finished merchandise Total Current Assets Investments in and advances to foreign subsidiaries not consolidated (net assets of these subsidiaries were \$1,252,000 at December 31, 1955 and \$1,097,000 at December 31, 1954 Miscellaneous investments, at cost less reserve Noncurrent receivables, advances and deposits Land Noncurrent receivables, advances and deposits Land Solve in the subsidiaries were \$1,252,000 at December 31, 1955 and \$1,097,000 at December 31, 1954 Miscellaneous investments, at cost less reserve 2,927,999 2,184,412 \$4,109,035 \$3,349,241 PROPERTY ACCOUNTS. at cost Land Solve in the subsidiaries were \$1,252,000 at December 31, 1957 Machinery and equipment 11,627,081 Store fixtures, leaseholds and improvements 11,627,081 Store fixtures, leaseholds and improvements 11,627,081 13,136,154 Store fixtures, leaseholds and improvements Less — accumulated depreciation 19,917,369 20,449,321 317,683,625 317,689,368 INSURANCE. TAXES. RENT AND OTHER DEFERRED CHARGES 11,2463,255 12,693,854 12,591,693 12,693,854 12,591,693 12,693,854 12,591,693 1,754,333 1,755,994 12,463,262 12,693,854 12,591,693 1,754,333 1,755,994 12,463,262 12,693,854 12,591,693 1,754,333 1,755,994 12,6463,262 12,695,394 12,693,668 11,591,693,668 11,591,693,668 11,591,693,668 11,591,693,668 11,591,693,668 11,591,693,668 11,591,693,668 11,591,693,668 11,591,693,668 11,591,693,668 11,591,012 11,591,693,668 11,591,691,691 11,591,693,668 11,591,691,691 11,591,691,691 11,591,691,691 11,5					
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Raw materials and supplies	Customers	. 12,699,884	12,591,693		
Raw materials and supplies	Others	. 2,305,566	1,754,333		
Raw materials and supplies	Inventories, at cost or market whichever lower	. '			
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No amounts have been included in the financial statements in respect of claims seeking partial recovery of Federal excess profits taxes. The claims filed in 1953 are based on a contention that the excess profits credits should be increased for the years 1940 to 1945, inclusive.

*Incorporated in Delaware

SHEETS DECEMBER 31, 1955 AND DECEMBER 31, 1954

LIABILITIES

CURRENT LIABILITIES	1955	1954
Accounts payable	. \$ 8,178,822	\$ 7,850,705
Accrued wages, salaries and taxes thereon .	3,099,318	3,477,569
Other accrued expenses	3,676,273	3,474,983
Current instalments of long term indebtedness	1,376,467	1,467,863
Estimated Federal and Canadian taxes on		
income for current and prior years	3,386,826	2,532,062
Total Current Liabilities	\$19,717,706	\$18,803,182
	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Ţ 2 3,00 3 ,20 2
LONG TERM INDEBTEDNESS, less current instalments shown above:		
Sinking fund debentures, 3¾% due 1961		\$ 1,100,000
Sinking fund debentures, 3% due 1965	. \$ 7,174,320	20,675,000
Promissory notes, 35% due in semi-annual instalments to 1980	14,846,000	
Real estate obligations	882,691	927,478
	\$22,903,011	\$22,702,478
STOCKHOLDERS' EQUITY		
Capital stock of Rexall Drug Company		
Authorized – 5,000,000 shares, par value \$2.50 each		
Issued — 3,501,120 shares	. \$ 8,752,800	\$ 8,752,800
Other paid in capital	10,591,115	10,585,293
(Increased in 1955 by \$5,822 gain on sale of treasury stock)		
Earnings retained and used in the business, per accompanying statement.	28,406,487	26,071,760
(under indentures covering long term indebtedness, \$4,240,000 of the retained earnings at December 31, 1955 is not restricted as to payment		
of dividends)		
	\$47,750,402	\$45,409,853
Less — cost of treasury stock — 71,388 shares in 1955 and 6,822 shares in 1954	681,691	48,007
Total Stockholders' Equity .	. \$47,068,711	\$45,361,846
	\$89,689,428	\$86,867,506
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At December 31, 1955 the companies were committed under some 150 leases expiring more than three years after that date with minimum annual rentals of approximately \$2,600,000. Less than 3 per cent of this amount relates to leases expiring more than 25 years after December 31, 1955.

CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS RETAINED AND USED IN THE BUSINESS

	1955	1954
Sales, less returns, allowances and discounts	3153,465,106	\$176,138,112
Cost of sales, selling, distribution, promotional and administrative expenses, etc	141,793,811')	(166,573,708)
Depreciation	(1,929,385)	(2,150,516)
Interest on indebtedness	(826,043)	(847,269)
Provision for Federal and Canadian taxes on income	(4,850,000)	(3,300,000)
Net earnings for year	4,065,867	\$ 3,266,619
Special charges (none in 1955):		
Accrual of certain expenses previously recorded on a cash basis, less \$898,000 applicable income taxes		(1,065,188)
Provision for excess of estimated losses over estimated gains from disposals and transfers of certain properties, less \$880,000 applicable income taxes		(684,065)
Net earnings for year and special charges	4,065,867	\$ 1,517,366
Earnings retained and used in the business at beginning of year · · · · · ·	26,071,760	25,254,021
Dividends paid — 50¢ per share in 1955 and 20¢ per share in 1954 · · · · ·	(1,731,140)	(699,627)
Earnings retained and used in the business at close of year · · · · · · \$	28,406,487	\$ 26,071,760

NOTE: See the President's Letter for comments concerning the corporate reorganization in May, 1955. Net earnings for 1955 are those of Rexall Drug Company consolidated for the entire year. The earnings retained and used in the business at the beginning of 1955 are those of Rexall Drug, Inc. and at the end of 1955 are those of Rexall Drug Company. Dividends paid in 1955 include \$437,500 paid by Rexall Drug, Inc. on March 7, 1955 and \$1,293,640 paid subsequently by Rexall Drug Company.

CONSOLIDATED STATISTICAL SUMMARY

IN THOUSANDS OF DOLLARS

FINANCIAL OPERATIONS

	1955	1954	1953	1952	1951
Net sales	\$153,465	\$176,138	\$189,244	\$178,293	\$164,278
Earnings before Federal and Canadian income taxes and special items	\$ 8,916	\$ 6,567	\$ 6,456	\$ 3,960	\$ 3,917
Federal and Canadian income taxes	\$ 4,850	\$ 3,300	\$ 3,300	\$ 2,000	\$ 2,000
Net earnings	\$ 4,066	\$ 3,267	\$ 3,156	\$ 1,960	\$ 1,917
Earnings per share of common stock*	\$ 1.19	93¢	90¢	56¢	55¢

FINANCIAL POSITION

	1955	1954	1953	1952	1951
Cash and short term securities	\$ 17,830	\$ 12,463	\$ 12,593	\$ 10,012	\$ 13,446
Accounts receivable	15,005	14,346	15,130	12,849	10,278
Inventories	34,563	38,246	37,225	38,247	36,274
Current Assets	\$ 67,398	\$ 65,055	\$ 64,948	\$ 61,108	\$ 59,998
Less – Current liabilities	19,718	18,803	20,120	18,085	17,688
Working capital	\$ 47,680	\$ 46,252	\$ 44,828	\$ 43,023	\$ 42,310
Property, machinery and equipment (net)	\$ 17,639	\$ 17,869	\$ 20,440	\$ 21,224	\$ 21,752
Investments, advances, prepaid					
expenses, etc.	4,653	3,943	3,974	4,084	4,195
Less – Real estate obligations	883	927	1,356	1,216	1,242
Other long term indebtedness	22,020	21,775	23,238	24,928	26,378
Stockholders' equity	\$ 47,069	\$ 45,362	\$ 44,648	\$ 42,187	\$ 40,637
Stockholders' equity — amount per share*	\$ 13.72	\$ 12.98	\$ 12.75	\$ 12.05	\$ 11.67
Number of stockholders	15,807	14,688	15,435	16,225	17,033

^{*}Per share amounts are based upon 3,501,120 shares for 1951-1954 and for the year 1955 upon 3,429,732 shares which is net of 71,388 shares of treasury stock.



SKETCH OF NEW REXALL EASTERN HOME OFFICE AND WAREHOUSE, BOSTON, MASSACHUSETTS



1955

338.7 R329 1956 REMALL DRUG COMPANY

report



THRU









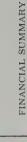






IMROAT TROCHES

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page 1

PRESIDENT'S LETTER TO STOCKHOLDERS page 2

REXALL DIVISION CLOSES WITH RECORD SALES

DROPS

page 3

RIKER REPORTS RESEARCH DEVELOPMENTS

CLEANSE

SOOTHE EFRESH page 5

SEAMLESS GROUP ENTERS

CHEMICAL FIELD

page 6

page 8 FINANCIAL STATEMENTS



BOARD

	OFFICERS	AUDIT	EXECUTIVE	BOARD OF
TRANSFER AGENTS Guiranty Trust Company of New York, New York — Second Bank-State Street Trust Company, Boston—Bank of America National Trust & Savings Association, Los Angeles	Austin W. Dart	Earl E. Arderson, Chairman Patt A. Dhaper Boston, Mass. Vernos E Taylor Sen Antonio, Texas	Testin W. Dart, Chairman	Earl E. Andreson John Bowles John C. Cornelius John Angeles, Calif. E Thaterer Lamb Walter T. Lille James E. Shelton James E. Shelton James E. Shelton William C. Tackett Verson F. Taylor San Antorio, Texas

HEGISTRARS—The Chase Manhattan Bank, New York—The National Shaw-mut Bank of Boston, Boston—California Bank, Los Angeles.

INDEPENDENT AUDITORS -Price Waterhouse & Co.

GENERAL HEADQUARTERS - Rexall Square, 8480 Beverly Blvd., Los Angeles 54, California.

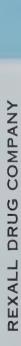
FINANCIAL SUMMARY

SUMMARY OF INCOME AND EXPENSES

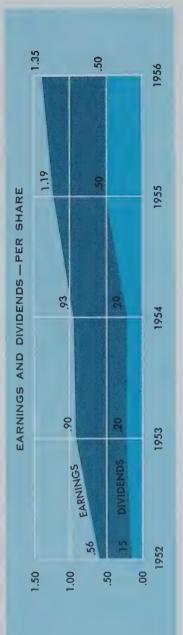
NET SALES—income received from customers for products sold	\$155,633,369	\$153,465,1
OPERATING EXPENSES		
Purchases of materials, products and		
supplies and expenses of		
and administration	105,020,899	102,403,1
Wages and salaries of employees	36,519,995	36,908,2
Taxes—Federal, State and Local	6,961,128	7,332,4
Interest on borrowed money	843,690	826,0
Wear and tear on plant and machinery	1,814,061	1,929,3
	151,159,773	149,399,2
NET EARNINGS	\$ 4,473,596	\$ 4,065,8
PER SHARE		
Net earnings	\$1.35	\$1.
Dividends paid	0.50	
Stockholders' equity	. 14.71	13,

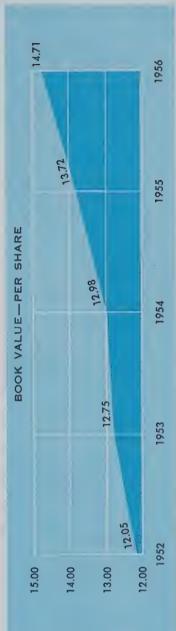
 Note: Per share amounts above and in charts below are based upon 3,310,756 shares in 1956, 3,429,732 in 1955 and 3,501,120 for the years 1952-1954.

.19



REXALL DRUG COMPANY





EARNINGS. Net earnings of Rexall Drug Company and its consolidated subsidiaries for the year ended December 31, 1956, were \$4,473,596 equivalent to \$1.35 per share on 3,310,756 shares as compared with \$4,065,867 or \$1.19 per share on 3,429,732 shares in 1955.

SALES. Net sales for 1956 were \$155,633,369, an increase of \$2,168,263 over the total of \$153,465,106 shown in 1955. It is expected that 1957 sales will exceed those of last year.

CASH. Cash and short term securities at December 31, 1956, amounted to \$14,532,528 as compared with \$17,829,777 at the end of 1955. This reduction resulted primarily from increased inventories and receivables, the cost of purchasing treasury shares of Rexall capital stock and the additional investment in Blum's.

meeting, gave consideration to the dividend policy for the current year. Since a number of unusually attractive expansion opportunities are being examined, it was the consensus of opinion in your Board that the long range interest of all stockholders would be best served by conserving our cash resources.

"Tight money" has increased the cost of borrowing and substantially reduced the availability of new credit. Your Company's long term borrowing looks very attractive in the face of current money costs. The 8-year portion of the long term debt is on a 3% basis. The 23-year por-

PAGE 2

tion is on a 3%% basis. We prefer not to add to long term obligations at current high rates unless the expansion opportunity is exceptionally attractive.

Your equity per common share increased to \$14.71 at the end of 1956 from \$13.72 at the end of the previous year.

BLUM'S. For several years your Company has owned a minority interest in the common stock of Blum's of San Francisco. In the latter part of 1956, we increased our holdings to 76% of the outstanding common shares for an additional \$720,000.

The sales, earnings and financial position of Blum's have been improving steadily over recent years. The financial statements of Blum's have not been consolidated with Rexall for the year 1956.

OUTLOOK. We expect that 1957 will be another good year for your Company, assuming that general economic conditions are substantially unchanged. Increasing wage, material and transportation costs continue to make it difficult for most businesses to improve profits.

The Annual Meeting of the Stockholders will be held in Los Angeles, California, on April 23, 1957. If you are unable to attend, we urge you to exercise your voting rights and mail in your proxy as soon as it is convenient.

February 26, 1957

Respectfully submitted,

Justin Dart, President

Sales of Rexall trade-marked products, manufactured and distributed by this Division, established a new high in 1956.

Prospects for further increasing sales in 1957 appear favorable. Increased costs of operation are tending to make it more difficult to increase profits in this Division.

OUTSTANDING NEW PRODUCTS. Several of the new products now on the market or soon to be released merit special mention:

THRU —a highly-effective liquid relief for muscular aches and pains was launched in October.

SUPER ANAPAC —an improvement over an existing product for coughs and colds, was introduced in January, 1957. It now contains highly-publicized citrus bioffavonoid and Vitamin C.

STAG —a completely re-formulated and redesigned line of men's toiletries will make its appearance next month.

Others scheduled are a new Rexall sweetener in unusual containers for both liquid and tablet forms and several aerosol products such as Rubbing Alcohol in which this method of application builds in new convenience to the product.



These are the key men in the sales organization of the Rexall Division. Seated is John Bowles, president of the division. Standing, left to right, are Reid I. Crane, vice-president for Western Region; George H. Davis, vice-president for Central Region; Edwin Vick, assistant to vice-president for Western Region; and Arch T. Carithers, vice-president for Eastern Region.

REXALL DIVISION:

problem in trying to induce its dealers to take full advantage of services and opportunities offered them. Revisions in sales organization were made toward this end:

- Sales regions were reapportioned
- District Managers serving Rexall druggists were nearly doubled.

of Boston manufacturing facilities with the St. Louis plant proved as advantageous as was forecast.

The program to improve warehousing facilities to provide better service to dealers and to cut distribution costs will continue in 1957. In 1956, new units went into operation in St. Louis, Mo., and San Leandro, Calif. New warehouses in Boston, Mass., Columbus, Ohio, and Baltimore, Md., are scheduled for 1957.

of retail expansion is taking place in new shopping centers with ample parking facilities. The average Rexall druggist does not have the financial resources to enable developers to secure long term financing on the basis of his lease. Through Rexall Realty Corporation, a wholly-owned subsidiary, we are making it possible for the Rexall druggists to secure leases. We are also participating in their financing. This program is essential to give Rexall a strong position in this fast-developing market. This partnership couples the incentive of the operator with our resources and experience. It should be mutually beneficial. Approximately thirty of these stores are planned to be in operation by the end of 1957.

CANADA. Growth of the Canadian Company in recent years has necessitated the construction of new manufacturing and distribution facilities in Toronto. The new plant, expected to be completed in the latter part of 1957, will also house the headquarters offices.

RIKER LABORATORIES, INC.:

In 1956, Riker marketed an entirely new line of products developed by its own research—the Medihalers. These are the first self-powered aerosol medications for internal use. Of the new Medihalers, two are for relief from asthma, one more effectively relieves the pains of angina pectoris and another relieves nasal congestion. They are currently being introduced in Canada. Additional members to this group will appear in 1957.

RESEARCH. A number of new synthetic compounds created by Riker research are being tested. Several have exhibited unique actions and appear to be patentable. Further study will determine whether any will prove suitable for marketing.







Development Section checks results from Carey Recording Chief analyst Carl Stimmel of Riker's Pharmaceutical UV Spectrophotometer. technician, runs a test on one of the rabbits being used in the search for substances to overcome hardening of the arteries.

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Medihaler-Phen, one of the new Medihaler group developed by Riker, relieves congestion of nasal passages.

of their 1957 earnings. The operations of these companies have not been consolidated with Rexall financial statements and no dividends have been FOREIGN OPERATIONS. Riker's English and South in both sales and earnings in 1956. Because of need for additional working capital, they will retain most African subsidiaries reported encouraging growth received to date.

RETAIL DIVISION:

At the end of 1956, our Retail Division was operating 158 retail drug stores compared with 165 at the end of 1955. Retail agency accounts increased to 219 in 1956 from 193 at the close of 1955.

concentrate future expansion of drug stores and agencies in the New York-New England area and in the Southeastern states.

During 1957, a major Liggett warehouse and office

building will be completed in Jacksonville, Florida. Included in this move will be more complete administrative, merchandising and operational functions for this expanding area.

The Owl Drug Co., will plan its future growth mainly in the state of California for both drug stores and retail agencies.

be on a definite upward trend. We anticipate an accelerated growth in our retail agency division.

SEAMLESS GROUP

The Seamless Rubber Company, New Haven, Conn., produces rubber and hospital supplies and sick room accessories. It is a major factor in the manufacture of surgeons' gloves. Seamless also produces rubber and plastic footballs, basketballs, play balls and other sporting goods. It is continuing its development of rubber and plastic lines as well as special purpose industrial tapes.

NEW DEVELOPMENTS. Seamco Chemical Company, a division of Seamless Rubber, was established last year for the production of polystyrene, a plastic molding powder. Production runs will begin late in 1957. The product will not be used by other Rexall subsidiaries but will be sold to outside producers of finished goods.

Kraloy Plastic Pipe Co., Inc., was purchased in 1956

Currently, it is a small operation in its development stages.

Initial development costs for these two companies were absorbed in 1956. No real contribution to earnings is expected until 1958.

has made application for several basic patents for new abrasive products during the past year. These patents should contribute additional volume and profits for this Division in future years.

THE ABSORBENT COTTON COMPANY. Substantial progress has been made on the long term plan to make this plant one of the most efficient producers of cotton products in the field.

TESTED PRODUCTS COMPANY:

With the completion of the St. Louis drug and cosmetic manufacturing facilities and the new production plant under construction in Toronto, Canada, Rexall ranks among the largest and most efficient drug and cosmetic manufacturers.

Tested Products has already contracted for the manufacture of a wide variety of pharmaceutical, proprietary, cosmetic and household products for other companies.

Tested Products will contract with new companies up to the capacity of existing facilities. No matter how complicated the preparation, ample technical staff and control facilities are available.

President of Tested Products is James A. Barnett, Jr., formerly vice-president of Lever Brothers. The mailing address is 8480 Beverly Blvd., Los Angeles 54, California.

V.C.A. LABORATORIES:

INTRACEL. During the year 1956, V.C.A. developed and introduced a new product, Intracel. Intracel relieves muscular aches and pains. The list of other uses seems to be growing all the time.

It is based on an entirely new principle. Spread on the surface of the skin, it requires no rubbing. It penetrates the skin and the tissue rather than merely producing external counter irritation and heat to create greater blood flow. For many patients, it gives temporary relief in chronic ailments such as arthritis, rheumatism and lumbago. It is, in our opinion, by far the most effective product in its field. (V.C.A. has licensed Rexall to market this product under its own trade name "THRU".)

Intracel was introduced in the fall of 1956 with a very heavy national advertising program.

The substantial amount of expense connected with the introduction of this product reduced V.C.A. profits in 1956. Substantial promotional expenses will continue in 1957.

SUPER RYBUTOL. V.C.A. began in 1956 to introduce, market by market, a new therapeutic potency vitamin product—Super Rybutol.

High-potency Super Rybutol is designed to correct the more acute cases of vitamin and mineral deficiencies. It does not in any way replace or conflict with the present consumer market of Rybutol, which is essentially a Vitamin B-complex product.

Additional markets will be opened during 1957.

REXALL DRUG COMPANY*

CONSOLIDATED BALANCE SHEETS

INSURANCE, TAXES, RENT AND OTHER DEFERRED CHARGES	♥ E. E. ⊤ »	Foreign subsidiaries wholly owned (net assets were \$1,630,000 in 1956 and \$1,252,000 in 1955)	Total Current Assets	Customers 0thers 1956 1955 Inventories, at cost or market whichever lower 1956 1955 Raw materials and supplies \$ 5,181,463 \$ 4,738,879 Work in process 1,978,757 2,056,923 Finished merchandise 28,275,660 27,766,803	CURRENT ASSETS Cash
18,206,958 18,206,958 . 485,561 . 1 \$90,968,207	5,584,587 1,466,304 11,508,485 13,263,601 11,101,094 37,339,484	. 490,848 . 258,444 . 927,482 . 786,198 . 1,494,213	. 1,627,402	. 14,424,307 2,298,325 35,435,880	\$12,550,028 1,982,500 14,532,528
17,638,625 543,935 1 \$89,689,428	4,109,035 1,007,071 10,799,324 14,122,518 11,627,081 37,555,994 10,017,360	459,092 109,444 592,922 728,919 1,606,158	67,397,832	2,305,566 2,305,566 34,562,605	\$14,847,176 2,982,601 17,829,777

No amounts have been included in the financial statements in respect of claims seeking recovery of Federal excess profits taxes. The claims filed in 1953 are based on a contention that the excess profits credits should be increased for the years 1940 to 1945, inclusive.

PAGE 8

AND ITS WHOLLY OWNED UNITED STATES AND CANADIAN SUBSIDIARIES

DECEMBER 31, 1956 AND DECEMBER 31, 1955

	LIMBICITIES	1956	1955
	CURRENT LIABILITIES		
	Accounts payable	\$ 8,603,527	\$ 8,178,822
	Accrued wages, salaries and taxes thereon	3,006,511	3,099,318
	Other accrued expenses	3,936,307	3,676,273
	Current instalments of long term indebtedness	1,444,065	1,376,467
	Estimated Federal and Canadian taxes on income for current and prior years	3,849,313	3,386,826
	Total Current Liabilities	20,839,723	19,717,706
	LONG TERM INDEBTEDNESS. less current instalments shown above		
	Sinking fund debentures, 3% due 1965	6,408,660	7,174,320
	Promissory notes, 3%% due in semi-annual instalments to 1980.	14,214,000	14,846,000
	Real estate obligations	810,870	882,691
		21,433,530	22,903,011
v	STOCKHOLDERS' EQUITY		
	Capital stock of Rexall Drug Company Authorized—5,000,000 shares, par value \$2.50 each		
		8,752,800	8,752,800
	Other paid in capital	10,598,153	10,591,115
	Earnings retained and used in the business, per accompanying statement	31,202,199	28,406,487
		50,553,152	47,750,402
	Less—cost of treasury stock—190,364 shares in 1956 and 71,388 shares in 1955	1,858,198	681,691
	Total Stockholders' Equity	48,694,954	47,068,711
		\$90,968,207	\$89,689,428
	Under options granted in 1956, 30,000 shares of treasury stock are reserved for purchase by two officers over the next ten years, at amounts aggregating approximately \$295,000.		
	At December 31, 1956 the companies were committed under some 170 leases expiring more than three years after that date with minimum annual rentals of approximately \$2,900,000. Less than 5 per cent of this amount relates to lease expiring more than 95 years after December 31 1056	*Incorporated in Delaware	ware
	of this amount relates to leases expiring more than to years after December of, 1300.		PAG

REXALL DRUG COMPANY AND ITS WHOLLY OWNED UNITED STATES AND CANADIAN SUBSIDIARIES

EARNINGS RETAINED AND USED IN THE BUSINESS

INDEPENDENT AUDITORS REPORT

PRICE WATERHOUSE & CO.

530 WEST SIXTH STREET
LOS ANGELES 14

February 26 1957

To the Board of Directors of Rexall Drug Company

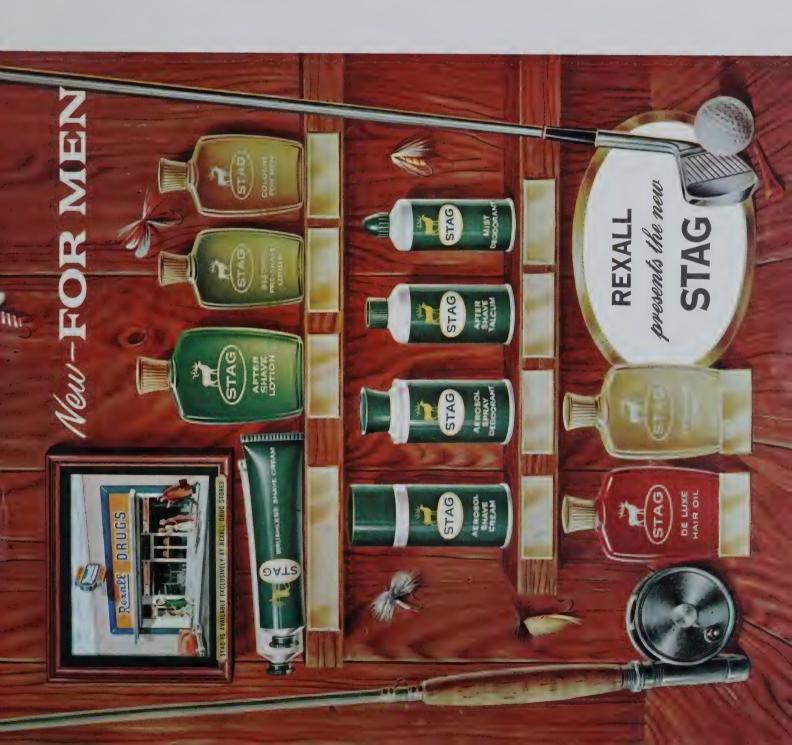
made in accordance with generally accepted auditing standards and accordingly the consolidated financial position of Rexall Drug Company and its wholly owned United States and Canadian subsidiaries at December 31 1956 and the with that of the preceding year. Our examination of such statements was results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent included such tests of the accounting records and such other auditing In our opinion, the accompanying statements present fairly procedures as we considered necessary in the circumstances.

Frie Watelma . C.

REXALL DRUG COMPANY AND ITS WHOLLY OWNED UNITED STATES AND CANADIAN SUBSIDIARIES

CONSOLIDATED STATISTICAL SUMMARY IN THOUSANDS OF DOLLARS

•	Stockholders' equity—amount per share \$ 14.71 Number of shares of stock outstanding 3 310 756	Stockholders' equity	Other long term indebtedness 20,622	Less—Real estate obligations 811	Investments, advances, prepaid expenses, etc 6,070	Property, machinery and equipment (net) 18,207	Working capital	Less—Current liabilities	Current assets	Inventories	Accounts receivable 16,722	Cash and short term securities \$ 14,533	FINANCIAL POSITION 1956	Earnings per share of common stock \$ 1.35	Net earnings 4,474	Federal and Canadian income taxes 4,600	Earnings before Federal and Canadian income taxes and special items 9,074	Net sales	FINANCIAL OPERATIONS 1956
15,807	\$ 13.72 3 429 739	\$ 47,069	22,020	8883	4,653	17,639	47,680	19,718	67,398	34,563	15,005	\$ 17,830	1955	\$ 1.19	4,066	4,850	8,916	\$153,465	1955
14,688	\$ 12.98 3 501 120	\$ 45,362	21,775	927	3,943	17,869	46,252	18,803	65,055	38,246	14,346	\$ 12,463	1954	93¢	3,267	3,300	6,567	\$176,138	1954
15,435	\$ 12.75 3 501 120	\$ 44,648	23,238	1,356	3,974	20,440	44,828	20,120	64,948	37,225	15,130	\$ 12,593	1953	90¢	3,156	3,300	6,456	\$189,244	1953
16,225	\$ 12.05 3.501 120	\$ 42,187	24,928	1,216	4,084	21,224	43,023	18,085	61,108	38,247	12,849	\$ 10,012	1952	56¢	1,960	2,000	3,960	\$178,293	1952



Illustrated at left is the Stag portion of Rexall's national magazine ad appearing next month which introduces the new Stag line of men's toiletries to the public.

Everything in the line is new but the name, Stag, which dates back 25 years. Rexall druggists are accepting the new line with enthusiasm exceeding management's forecasts.











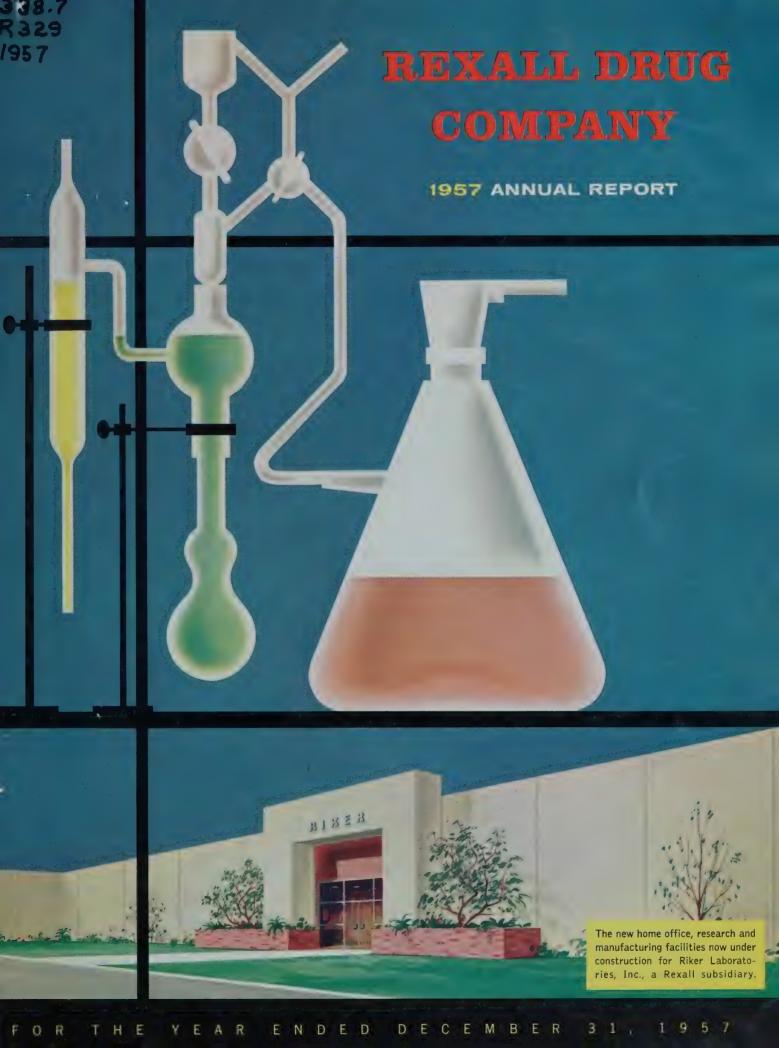
Only Rexall Drug Stores that are completely identified capitalize on the extensive Rexall national advertising. Identification with Rexall increases the store's overall volume because, more and more, customers are shopping at nationally-known stores.

A major objective of the Rexall
Division of your Company is to
have all Rexall stores in the United
States identified in a manner
similar to those shown at left.

They are:

- 1. REDWOOD REXALL DRUGS.
 SALT LAKE CITY, UTAH.
- 2. HAMPTON REXALL DRUGS, BELLFLOWER, CALIF.
- 3. OWL REXALL DRUGS,
 (AGENCY STORE)
 SAN DIEGO, CALIF.
- 4. CLEMENTS REXALL DRUGS, BELTON, TEXAS.

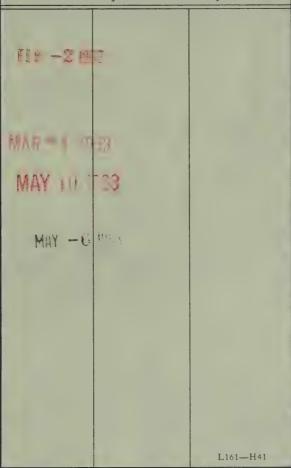




BOARD OF DIRECTORS	EARL E. ANDERSON . Montclair, N.J. HIRAM C. BENDER . Los Angeles, Calif. JOHN BOWLES . Los Angeles, Calif. JOHN C. CORNELIUS . Minneapolis, Minn. JUSTIN DART . Los Angeles, Calif. PAUL A. DRAPER . Boston, Mass. RUDOLPH J. DREWS . Los Angeles, Calif. F. THATCHER LANE . Litchfield, Conn. WALTER T. LILLIE . Los Angeles, Calif. GEORGE L. MAISON, M.D Los Angeles, Calif. ADÉ SCHUMACHER . New York, N.Y. JAMES E. SHELTON . Los Angeles, Calif. WILLIAM C. TACKETT . Palm Springs, Calif. VERNON F. TAYLOR . San Antonio, Texas
EXECUTIVE COMMITTEE	JUSTIN DART, Chairman
AUDIT COMMITTEE	EARL E. ANDERSON, Chairman
OFFICERS	JUSTIN DART
TRANSFER AGENTS	Guaranty Trust Company of New York, New York — Second Bank- State Street Trust Company, Boston—Bank of America National Trust & Savings Association, Los Angeles.
REGISTRARS	The Chase Manhattan Bank, New York—The National Shawmut Bank of Boston, Boston—California Bank, Los Angeles.
INDEPENDENT AUDITORS	Price Waterhouse & Co.
GENERAL HEADQUARTERS	Rexall Square, 8480 Beverly Blvd., Los Angeles 54, California.

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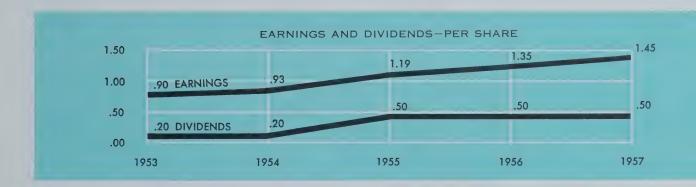


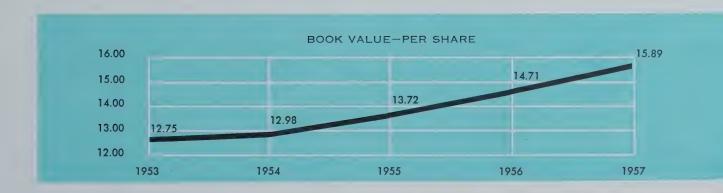
FINANCIAL SUMMARY

Summary of Income and Expenses

	1957	1956
NET SALES — income received from customers for products sold	\$167,567,195	\$155,633,369
OPERATING EXPENSES		
Purchases of materials, products and supplies and expenses of manufacturing, distribution		
and administration	113,764,198	105,020,899
Wages and salaries of employees	38,821,812	36,519,995
Interest on borrowed money	935,621	843,690
Wear and tear on plant and machinery	2,048,967	1,814,061
Taxes—Federal, State and Local	7,382,762	6,961,128
	162,953,360	151,159,773
NET EARNINGS	\$ 4,613,835	\$ 4,473,596
PER SHARE		
Net earnings	\$ 1.45	\$ 1.35
Dividends paid	0.50	0.50
Stockholders' equity	15.89	14.71

NOTE: Per share amounts above and in charts below are based upon 3,181,673 shares in 1957, 3,310,756 in 1956, 3,429,732 in 1955 and 3,501,120 for the years 1953 and 1954.







JUSTIN DART, President

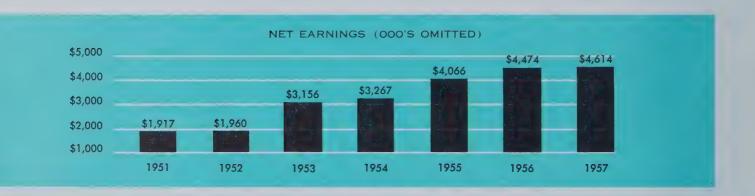
THE PRESIDENT'S LETTER

To the Stockholders of Rexall Drug Company

EARNINGS: Net earnings of Rexall Drug Company and its consolidated subsidiaries for the year ended December 31, 1957, were \$4,613,835, equivalent to \$1.45 per share on 3,181,673 shares, as compared with \$4,473,596, or \$1.35 per share on 3,310,756 shares in 1956.

1957 represents the sixth consecutive year of increased earnings for your Company.

SALES: Net sales for 1957 were \$167,567,195, an increase of \$11,933,826 over the \$155,633,369 shown in 1956.



CASH: Cash and short term securities at December 31, 1957, amounted to \$14,430,927, as compared with \$14,532,528 at the end of 1956.

During the year 1957 your Company increased its holdings of treasury stock by 129,083 shares, purchased on the open market at an average price of \$8.74 per share. This compares with a book value of \$15.89 per share as of December 31, 1957. These shares were bought because your Board of Directors felt they were substantially undervalued at the acquisition prices.

IMPROVEMENT PROGRAM: Continuing our program for improving service and reducing operating costs, we expended over \$6,400,000 in 1957 on major capital additions. These included the completion of four new warehouses and the starting of two new manufacturing plants and a combination warehouse and office building. The major portion of these facilities has been or will be sold and leased back with options to repurchase. Information about these projects is included in the following divisional reports.

LONG TERM BORROWING: An arrangement was completed with a group of insurance companies on December 17, 1957, to borrow \$5,000,000 of $5\frac{3}{4}\%$ notes due in 1980. \$3,385,000 of this loan was received in 1957; the balance will be received in 1958.

Our 3% debentures which were due in 1965 have been converted to a 5% note issue due in 1980. This was done in order to obtain more favorable sinking fund requirements—eliminating all payments contingent upon earnings and spreading repayment requirements over a longer period of years. Reduction in sinking fund requirements over the next seven years is estimated to amount to more than \$4,500,000.

That portion of our long term debt represented by 3\% % notes due in 1980 remains unchanged.

Proceeds from these new loan arrangements will be utilized to finance your Company's continuing expansion programs.

DIVIDENDS: Your Company has been diversifying for a number of years. Most of the funds used for this purpose have been realized from the sale of a large number of unprofitable or marginal retail drug stores and certain manufacturing facilities. Additional development money will henceforth have to come from either retained earnings or borrowed funds.

Your Board of Directors will continue to review the dividend situation each quarter. However, we wish to point out that your Board of Directors and Management regard Rexall as having unusual growth potentials. For that reason we are inclined to be balanced on the side of conservative cash dividends.

OUTLOOK: In recent years we have created a broader base for the operations of your Company. We are looking for growth in all divisions although the rate of development will not be uniform. The general economic climate will, of course, influence our results but we are confident of continuing progress.

The Annual Meeting of the Stockholders will be held in Los Angeles, California, on April 22, 1958. If you are unable to attend, we urge you to exercise your voting rights and mail in your proxy as soon as convenient.

February 26, 1958

Respectfully submitted,

Justin Dart, President

STAFF OFFICERS



RUDOLPH J. DREWS Vice-President Staff Administration



WALTER T. LILLIE Vice-President and Treasurer



ROLAND F. HALLETT Vice-President and General Counsel



BERT K. HENRY
Controller

REXALL DIVISION



JOHN BOWLES

President, Rexall Division



M. J. ERICKSON Vice-Pres., Rexall Division

The Rexall Division manufactures pharmaceuticals, proprietary drugs, cosmetics, surgical and sick room supplies. All products are sold under the Rexall trade-mark and other trade-marks owned by Rexall. These products are distributed exclusively through 11,149 Rexall franchised drug stores in the United States and Canada, none of which is owned or operated by the Rexall Division. As an additional service to its franchise holders, the Rexall Division also distributes certain household and sundry items not manufactured by Rexall.

Sales increased again in 1957. Prestige of Rexall drug products and Rexall drug stores reached another new high. Surveys by the National Panel of Consumer Opinion indicate that Rexall continues to be the foremost name in both drug products and drug stores. Rexall's franchised dealers continue to prosper from the traffic brought into their stores by the use of the name Rexall and by the ever-expanding Rexall National Advertising. The Rexall trade-mark with its exclusive franchised method of distribution provides retail druggists with the most formidable weapon with which to combat the ever-broadening distribution of drug products in super-markets, variety stores and other non-drug outlets. The average annual sales of Rexall franchised drug stores continue to run far above the national average for all drug stores.

In 1957 a substantial additional number of Rexall dealers modernized and applied Rexall's standard exterior signs. This is an important factor in the primary objective of the Rexall Division, which is to continually improve the quality of its franchised dealers. Rexall druggists find that they realize the full power of their franchise and their National Advertising only when they completely identify their stores with the distinguishing orange and blue of Rexall.

Canadian Operation: Rexall's Canadian company continued its growth in 1957. Construction was started on a new manufacturing plant and warehouse in Toronto. Expected to be completed early in 1958, this new facility will also be the home office of Rexall's entire Canadian operation.

Rexall Realty Corporation

The average Rexall druggist does not have the financial resources to enable developers of shopping centers to secure long term financing on the basis of his lease. Through Rexall Realty Corporation, a wholly-owned subsidiary, we are making it possible for the Rexall druggists to secure leases. We are also participating in their financing.

This program is essential to give Rexall a strong position in this fast-developing market. It couples the incentive of the operator with our resources and experience.

At the end of 1957 we were operating eighteen stores in the new Rexall Realty program. During 1958 we plan to open additional stores in this program.

Rexall National Advertising

Rexall's national advertising campaign reached a new high in impact on October 13 when, for the first time, an hour-long network television and radio "spectacular" was used to promote the Rexall One Cent Sale. Spearheading Rexall's national advertising program, the NBC-TV and Radio simulcast of "Pinocchio" helped make this a record-breaking sale. The six-day event was the most successful One Cent Sale in your Company's history.

Pinocchio

With an all-star cast headed by Mickey Rooney as "Pinocchio" and Walter Slezak as "Gepetto," this delightful musical adaptation of the ever-popular children's classic was hailed throughout the nation. Letters of praise and thanks poured in from viewers as well as Rexall druggists.

Research data attest the show's widespread popularity. The A. C. Nielsen Company estimated Pinocchio's total audience at more than 50 million viewers. The Trendex rating service reported that over 50% of the sets in use were tuned to Rexall's Pinocchio.

Rexall plans to launch its Spring 1958 One Cent Sale with a similarly delightful musical on Sunday, April 27. This time, it's . . .

Hansel and Gretel

Brought to you by the same production team who created and staged "Pinocchio," the "Hansel and Gretel" show is a lilting, lighthearted version of one of the world's best-loved fairy tales. Signed for starring roles are Red Buttons as "Hansel" and Barbara Cook as "Gretel," while Rudy Vallee and Risë Stevens will enact the roles of the Father and Mother. The "Witch" will be played by Hans Conried and Stubby Kaye will be the "Town Crier."

Sunday Newspaper Supplements

Throughout 1958 Rexall Division's printed advertising campaign also takes on a new look. This Week, Parade and 81 independent newspapers will each carry twenty-three ads in color. These ads—full pages and double-page spreads—will appear on an average of twice each month throughout the year. As in the past, Farm Journal and Progressive Farmer will carry Rexall's advertising to the rural areas.







PRODUCT DEVELOPMENT

In 1957, Rexall made greater strides in product development than in any other year. New products marketed last year proved again that your Company is a leader in original product creation. In 1958, the activities of this department are being further expanded.



EDWIN L. RAMSEY, JR. Director New Products Division



Director, Medical Research Department



PAUL W. SPICKARD, M.D. HENRY D. RUDZKI, PH.D. Director, Research and Development Department



Tableting Division conducts tablet research and developm using full scale production equipment.



Critical standards are a prime requisite in our Pharmaceutical Development laboratory.



Current cosmetic "library" of perfumes permits selection of best fragrance for each new product.

Viscometer. Modern equipment and skilled technicians insure highest



Stability and shelf life are determined by accelerated aging in thermostatically controlled walk-in oven.



View of laboratory fully equipped for aerosol development.





Analytical laboratory conducts tests insuring accuracy and safety of all Rexall products.

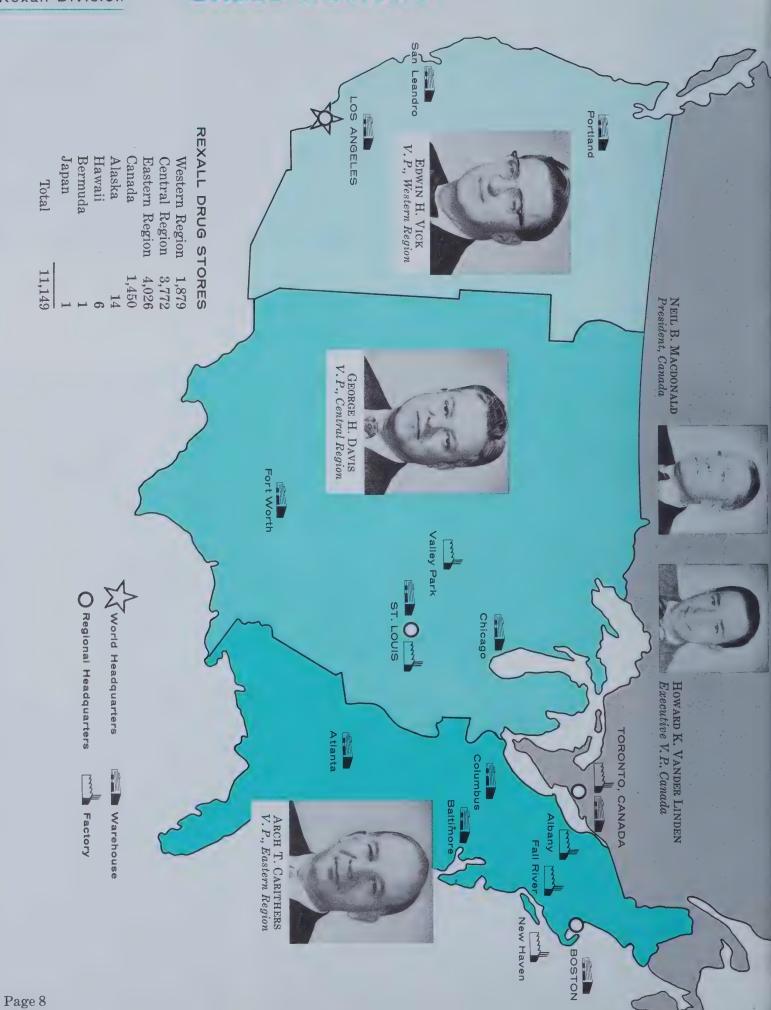


Micro-biological laboratory upplies latest methods in making pacteriological determinations.



All products are tested constantly in various stages of manufacture to assure uniform high quality.

SALES REGIONS



WAREHOUSING and DISTRIBUTION



J. T. Rux
Director, Warehousing Operations

Your Company's program of improving warehousing facilities to provide more efficient service to its dealers continued in 1957. New warehousing units were opened in Boston, Massachusetts; Columbus, Ohio, and Baltimore, Maryland. Other units are located in Atlanta, Georgia; Chicago, Illinois; St. Louis, Missouri; Portland, Oregon; Fort Worth, Texas; San Leandro and Los Angeles, California.



Eastern Home Office and Warehouse Boston, Massachusetts



Mid-Western Home Office and Warehouse St. Louis, Missouri



Rexall Warehouse, San Leandro, California

RIKER LABORATORIES, INC.

Riker Laboratories is a wholly-owned yet completely independent subsidiary of your Company, with its own manufacturing, research and selling facilities. Through its research laboratories it creates prescription specialties which are prescribed by physicians. Its products are distributed through wholesale druggists to prescription departments in all drug stores. New Riker research and production laboratories will be completed shortly after midyear, 1958. They will provide the facilities for expanded research and will bring together research, production laboratories, and administration.

This establishment, located in the San Fernando Valley about an hour from downtown Los Angeles, provides ideal climatic conditions for working and living. This location should aid in attracting and keeping unusually capable scientists and technicians.

It will provide most advanced technical facilities including controlled temperature and humidity, as well as safe chemical processing in the open air. It will, through modern design, require minimal maintenance costs. Looking to the future, the large site has been planned to permit expansion at minimum cost.

GEORGE L. MAISON, M.D.

President
Riker Laboratories, Inc.
Los Angeles, California





JOHN A. LUMLEY, M.P.S. Managing Director Riker Laboratories, Ltd. Loughborough, England

ALFRED H. RIDGES

Vice-President
Sales & Promotion
Riker Los Angeles





R. W. RICHARDS, F.P.S. General Sales Manager Riker England

Products bearing the Riker label are available for prescription by the physicians of more than 40 countries through distributors or through Riker companies in Canada, England, South Africa and Australia.

Favorable impressions upon physicians largely depend on medical efficacy of the products, constant accuracy of manufacture and the dissemination of dependable technical information. A growing force of Riker representatives in each country is employed for calls on physicians to give information about Riker products. Advertisements in medical journals supplement these efforts. Prescription products are not advertised to the public.

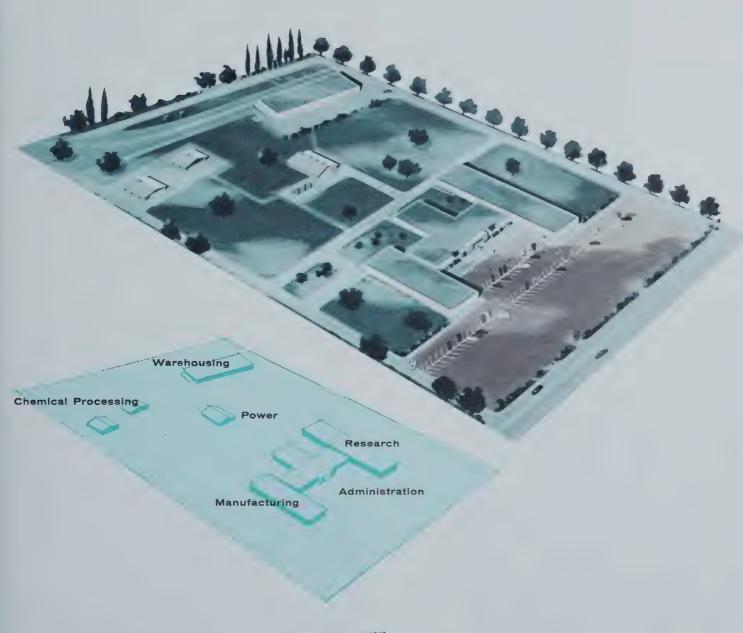






ERIC A. BURFOOT B.Sc., M.P.S., F.R.I.C. Works Manager Riker England

The Riker Manufacturing Division develops processes for the production of the new health-giving compounds originated by Riker research. Expenditures for research will again be increased in 1958. The Riker research team is shown in pictures on the following pages.



UNIVERSITY OF ILLINOIS



Research Committee (left to right): Dr. J. E. Campion, Director of Laboratories; Dr. G. E. Cronheim, Biological Sciences; I. Porush, Analytical and Pharmaceutical Chemistry; Dr. J. W. Stutzman; M. W. Klohs, Medicinal Chemistry; Dr. A. Surtshin, Medical Director, and B. deGorter, Patents...

In the search for new drugs, the Research Committee evaluates the ideas of Riker personnel, of domestic and foreign associates — plans exploration of worthy leads.



Scientific literature holds the keys to the products of the future.

Medicinal chemists prepare new chemicals—potential new drugs—by chemical synthesis...





... by isolation and purification of chemicals present in age-old herbs.



Analytical chemists use modern instruments to insure purity of new agents.

 $\begin{array}{l} \textbf{FOR EACH NEW DRUG} \longrightarrow pharmacologists \ determine \ what \ it \\ does \longrightarrow physiologists \ how \ it \ does \ it \longrightarrow toxicologists \\ establish \ its \ safety. \end{array}$



Biochemists study what happens to it in the body.



Pharmaceutical chemists put it in appropriate form to make it pleasant to take yet effective.





Physicians organize clinical trials to learn what patients the drug will help what dose is needed.

Disipal

Relaxes painful spasms of backache and muscle strain through action in brain—a new use developed through cooperative research with Brocades Stheeman of Holland on their anti-palsy drug.

Medihaler-Iso • Medihaler-Epi Medihaler-Phen

First self-propelling measured dose aerosol medicines for spasms of asthma and congestion of nasal passages.



Veriloid

First Veratrum extract selected and standardized on its blood-pressure-lowering power. The basis for five Riker Products.



Rauwiloid

First product from Rauwolfia marketed in U.S.A. First selective purified extract from Rauwolfia. The basis for six Riker products used in cardiovascular and mental diseases.



MANUFACTURING



CHESTER W. ANDERSON Vice-President

Rexall Drug Company in all of its manufacturing activities is continuing to invest in new equipment to keep abreast of technological advances in the manufacturing and packaging equipment field. This is particularly important in order to remain competitive and because material costs and labor rates have increased from year to year.

Rexall Drug and Cosmetics Production St. Louis, Missouri

One of the largest and most complete facilities of its type in the nation, the Rexall plant in St. Louis manufactures all of the Rexall Division's drug and cosmetic products. It was expanded and diversified in 1957 through the addition of complete filling and production facilities for the manufacture of aerosol products. Aerosol packaging has become increasingly important in the drug and toiletry business, and Rexall currently is merchandising many products in this type of container.



A major manufacturer of drug store and hospital rubber supplies including surgeons' gloves, adhesive tape, water bottles, ice caps and tubing. Seamless also manufactures sporting goods which include footballs, basketballs, hand and squash balls and miscellaneous rubber and plastic sporting equipment. The company is emphasizing its development of medical specialties — both rubber and plastics.

United Cotton Products Company Fall River, Massachusetts

This company is continuing its basic research on new industrial abrasive products of a specialty nature. It is expected that new products based on recent patented developments will reach the market during 1958.



EDWARD E. ALDRICH General Manager



ARTHUR R. GOW President



EDWARD HURST

John R. Gibbons Vice-President



Absorbent Cotton Company Valley Park, Missouri

During the past year, the company has developed new special purpose machinery and has devised new methods for processing surgical cotton and gauze. Although this company is in a highly competitive field, its prospects are good.

HOWARD C. NEILL President



Eastern Tablet Company Albany, New York

This paper-converting company manufactures school supplies, envelopes and writing paper. In addition to producing for Rexall's nation-wide distribution, it manufactures lines sold by leading variety stores

and wholesalers in the north and mid-Atlantic states.

A new line will be ready by midyear to meet the growing demand for school supplies and stationery, especially packaged for self-service and self-selection operation. The constant increase in population offers a continuing growth factor in school supplies and stationery.

J. ALLEN BARNETT, JR.

President



Tested Products Company Los Angeles, California

Tested Products manufactures for other companies (under their own trade-marks) pharmaceuticals, proprietary drugs, cosmetic and household products. In 1957 Tested Products' volume increased substan-

tially and the growth potential for this operation is good.

Rexall's new laboratories and other manufacturing facilities which serve Tested Products have the capacity to produce a broader range of pharmaceutical, drug, cosmetic, and household products than any other company in America. We also have one of the most effective product development laboratories in these fields.

Rexall's high technical standards and precise laboratory controls give those supplied by Tested Products the highest possible degree of protection for their trade-marks.

Possibilities of combined carload shipments offer customers opportunities for substantial freight savings.

Tested Products has offices at 8480 Beverly Boulevard, Los Angeles 54, California; 3901 North Kingshighway Boulevard, St. Louis 15, Missouri; and Toronto.



Seamco Chemical Holyoke, Massachusetts

A division of The Seamless Rubber Company, Seamco was established late in 1956. The company produces polystyrene, a plastic molding powder which is sold to outside producers of finished goods.

The styrene used in the production of polystyrene is produced in El Paso Natural Gas Products' new plant in Odessa, Texas.

Agreements have been signed with the El Paso Natural Gas Products Company covering the formation and operation of a joint research effort for the development of plastic and plastic co-polymers. In the near future, the two firms will jointly build and staff a plant for this purpose.

Kraloy Plastic Pipe Co., Inc. Los Angeles, California

Purchased in 1956, this company continues its development program. Kraloy is engaged exclusively in the manufacture of non-corrosive and non-toxic plastic pipe and fittings.

Application, to date, has been primarily in the irrigation and farm markets and oil field uses. Considerable groundwork has been done in other fields, however, where Kraloy's product is eliciting much interest. These include public utilities, gas distribution, water supply, electrical conduit and countless industrial and chemical applications.

Samuel C. Prusky President



V. C. A. Laboratories Los Angeles, California

The promotion of Intracel Penetrating Analgesic, introduced late in 1956, was continued during 1957, supported by a substantial advertising budget. The product has attained broad distribution in drug stores throughout the United States.

Super Rybutol, Vitamin Corporation of America's new therapeutic, high potency, multi-vitamin formula, is being introduced on a market-by-market basis. Experience in test markets thus far indicates that the opening of additional areas is well justified.

During 1958, VCA intends to test market several new products with the expectation of marketing at least one of them.



Rybutol
A high-potency B-Complex vitamin-mineral formula.



Super Rybutol Therapeutic vitamin and mineral formula of prescription strength.



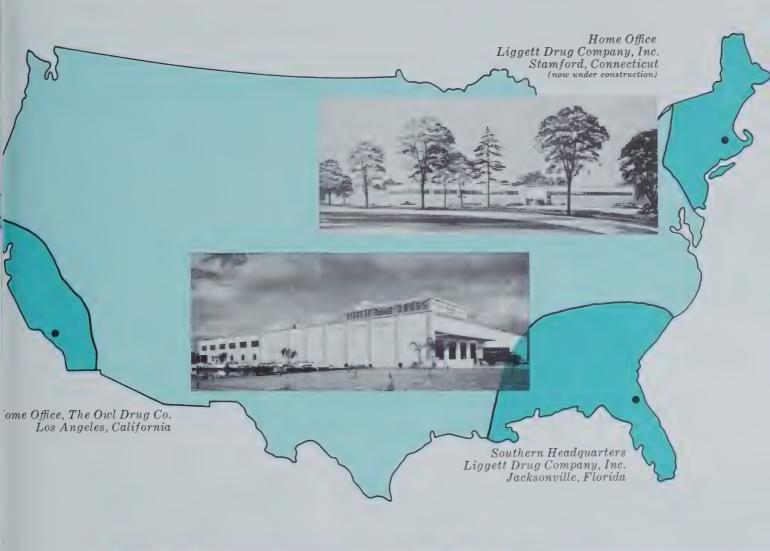
Intracel
Liquid and Jel
Penetrates into tissues to
bring direct relief from
pain. Puts pain to sleep.



Juvenal
A liquid multiple-vitamin
preparation for children.
Tastes like a lollipop.

RETAIL DIVISION

RETAIL DRUG STORE CHAINS



H. C. BENDER
President
The Owl Drug Co.





I. C. KEPFORD

President
Liggett Drug Company, Inc.

The Liggett Drug Company on the Eastern Seaboard and the Owl Drug Company on the West Coast were operating 160 drug stores at the close of 1957. Twelve new super drug stores were opened and ten marginal units were closed during the year. Fifteen new super stores are planned for 1958.

In addition, the two retail drug chains served a total of 280 agency stores. Operating under the Liggett or Owl names, these agency stores are served by the chain organizations and participate in their advertising and promotions. Seventy-seven new agency stores were awarded franchises during the year.

In September, Liggett opened a new southern headquarters and distribution center in Jacksonville, Florida. Construction currently is under way on a new Liggett Home Office and Warehouse in Stamford, Connecticut. This new facility is expected to go into operation during the latter part of this year.

Plans are to concentrate the Company's retail chain operations in the areas indicated on the map.

ROBERT T. BEATTIE
President



BLUM'S San Francisco, California

A manufacturer and distributor of nationally famous confectionery products, the Blum organization markets through its own retail stores as well as selected wholesale accounts in metropolitan areas throughout the United States. In addition, the company operates specialty restaurants featuring high quality foods and fountain items.

Rexall has gradually increased its holdings in Blum's. It now owns more than 90% of the firm's stock.







BLUM'S — Home Store, Polk and California Streets, San Francisco

INDEPENDENT AUDITORS REPORT

PRICE WATERHOUSE & Co.

530 WEST SIXTH STREET

LOS ANGELES 14

February 24 1958

To the Board of Directors of Rexall Drug Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Rexall Drug Company and its consolidated subsidiaries at December 31 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the inclusion in the consolidation of Blum's, a ninety-two per cent owned subsidiary, which change we approve. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pine Waterhouse . Co.

CONSOLIDATED BALAN

ASSETS

CURRENT ASSETS	1957	1956
Cash	\$13,178,427	\$12,550,028
latest maturity April 1958	1,252,500	1,982,500
Accounts and notes receivable, less reserves of \$548,670 in 1957 and \$649,310 in 1956	14,430,927	14,532,528
Customers	15,887,560	14,424,367
Others	1,838,202	2,298,325
Raw materials and supplies	40 440 904	0F 49F 000
Finished merchandise	40,119,391	35,435,880
Total Current Assets	72,276,080	66,691,100
Investments, advances and noncurrent receivables Investments in and advances to subsidiaries not consolidated United States subsidiaries (Rexall equity in net		
assets \$692,000 in 1957 and \$1,593,000 in 1956)	721,802	1,627,402
\$1,913,000 in 1957 and \$1,630,000 in 1956)	493,215	490,848
Miscellaneous investments, at cost less reserve	255,931	258,444
Receivables, advances and deposits, less reserve	= 00.000	005 400
Due from officers and employees under stock purchase plan	739,323	927,482
Due from sale of retail stores	537,671 1,378,588	78 6 ,198 1,494,213
Other		
	4,126,530	5,584,587
PROPERTY ACCOUNTS, AT COST	4 500 005	1 400 004
Land	1,793,367	1,466,304
Buildings and building fixtures	10,787,115 15,564,639	11,508,485 13,263,601
Machinery and equipment	12,517,338	11,101,094
Store fixtures, leasenoids and improvements	40,662,459	37,339,484
Less — accumulated depreciation	20,500,229	19,132,526
Dess — accumulated depreciation	20,162,230	18,206,958

INSURANCE, TAXES, RENT AND OTHER DEFERRED CHARGES	518,390	485,561
GOODWILL AND TRADEMARKS	1	1
	\$97,083,231	\$90,968,207

EETS DECEMBER 31, 1957 AND DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES	1957	1956
Accounts payable	\$ 9,594,923	\$ 8,603,527
Accrued wages, salaries and taxes thereon	3,331,131	3,006,511
Other accrued expenses	4,232,953	3,936,307
Current instalments of long term indebtedness	811,762	1,444,065
Estimated Federal and Canadian taxes on		
income for current and prior years	4,207,704	3,849,313
Total Current Liabilities	22,178,473	20,839,723
LONG TERM INDEBTEDNESS. less current instalments shown above		
Promissory notes, due in instalments 1959 to 1980		
3 %	13,582,000	14,214,000
5%	6,409,000	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
$5\frac{3}{4}\%$	3,385,000	
Sinking fund debentures, 3% due 1965		6,408,660
Real estate and equipment obligations	978,062	810,870
	24,354,062	21,433,530
STOCKHOLDERS' EQUITY		
Capital stock of Rexall Drug Company Authorized — 5,000,000 shares, par value \$2.50 each		
Issued — 3,501,120 shares	8,752,800	8,752,800
Other paid in capital	10,601,647	10,598,153
Earnings retained and used in the business per accompanying statement . (under agreements covering long term indebtedness, \$3,000,000 of the retained earnings at December 31, 1957 is not restricted as to payment of dividends)	34,182,699	31,202,199
	53,537,146	50,553,152
Less — cost of treasury stock — 319,447 shares in 1957 and 190,364		
shares in 1956	2,986,450	1,858,198
	F0 FF0 000	10 001 051
Total Stockholders' Equity	50,550,696	48,694,954

CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS RETAINED AND USED IN THE BUSINESS

	1957	1956
Sales, less returns, allowances and discounts	\$167,567,195	\$155,633,369
Cost of sales, selling, distribution, promotional and		
administrative expenses, etc	(155,368,772)	(143,902,022)
Depreciation	(2,048,967)	(1,814,061)
Interest on indebtedness	(935,621)	(843,690)
Provision for Federal and Canadian taxes on income	(4,600,000)	(4,600,000)
Net earnings for year	4,613,835	4,473,596
Earnings retained and used in the business at beginning of year	31,202,199	28,406,487
Dividends paid — 50¢ per share	(1,633,335)	(1,677,884)
Earnings retained and used in the business at close of year	\$ 34,182,699	\$ 31,202,199

NOTES TO FINANCIAL STATEMENTS

BASIS OF CONSOLIDATION—For 1957 all wholly owned United States and Canadian subsidiaries and Blum's, a 92% owned subsidiary, are consolidated. Blum's, controlling interest of which was acquired late in 1956, was not consolidated prior to 1957. Its net sales for 1957 aggregated \$4,708,287 and its net income, after minority interest, was \$149,319. The minority interests in income and in ownership are relatively insignificant and are not shown separately.

REFUND CLAIM—No amounts have been included in the financial statements in respect of claims seeking recovery of Federal excess profits taxes. The claims filed in 1953 are based on a contention that the excess profits credits should be increased for the years 1940 to 1945, inclusive.

STOCK OPTIONS—Under options granted in 1956, 30,000 shares of treasury stock are reserved for purchase by two officers over a period of ten years at amounts aggregating approximately \$295,000. Additional options were granted in 1957 and in January 1958 to officers and other employees to purchase 78,000 shares of capital stock at amounts aggregating approximately \$630,000. Ten percent of these options may be exercised each year, on a cumulative basis, over a period of ten years. None of these options was exercised in 1957.

LEASE LIABILITIES — At December 31, 1957 the Company and its consolidated subsidiaries were committed under some 185 leases of real property expiring more than three years after that date with minimum annual rentals of approximately \$3,250,000. Less than three percent of this amount relates to leases expiring more than 25 years after December 31, 1957.

In addition, subsidiary companies have leased (most with options to purchase) store fixtures for periods of seven or more years, in most cases at aggregate basic rentals which over the lease periods approximate the cost of the fixtures plus carrying charges. The present total annual rental payable is approximately \$145,000.

CONSOLIDATED STATISTICAL SUMMARY

IN THOUSANDS OF DOLLARS

FINANCIAL OPERATIONS

	1957	1	1956	1955	1954	1953
Net sales \$	167,567	\$	155,633	\$ 153,465	\$ 176,138	\$ 189,244
Earnings before Federal and Canadian income taxes and special items	9,214	İ	9,074	8,916	6,567	6,456
Federal and Canadian income taxes	4,600		4,600	4,850	3,300	3,300
Net earnings	4,614	Ì	4,474	4,066	3,267	3,156
Earnings per share of common stock \$	1.45	\$	1.35	\$ 1.19	93¢	90¢

FINANCIAL POSITION

TANCIAL POSITION		1957	195	5	1955	1954		1953
Cash and short term securities .	. \$	3 14,431	\$ 14,53	3 5	\$ 17,830	\$ 12,463	\$	12,593
Accounts receivable		17,726	16,72	22	15,005	14,346		15,130
Inventories	•	40,119	35,43	36	34,563	38,246		37,225
Current assets		72,276	66,69	1	67,398	65,055		64,948
Less — Current liabilities	•	22,178	20,84	10	19,718	18,803		20,120
Working capital		50,098	45,85	51	47,680	46,252		44,828
Property, machinery and equipment (net)		20,162	18,20)7	17,639	17,869		20,440
Investments, advances, prepaid expenses, etc		4,645	6,07	70	4,653	3,943		3,97
Less — Real estate and equipment obligations		978	8:	11	883	927		1,35
Other long term indebtedness	•	23,376	20,62	22	22,020	21,775		23,23
Stockholders' equity	. \$	\$ 50,551	\$ 48,69)5	\$ 47,069	\$ 45,362	\$	44,64
Stockholders' equity — amount								
per share	. \$	15.89	\$ 14.7	/1	\$ 13.72	\$ 12.98	\$	12.7
Number of shares of stock outstanding		3,181,673	3,310,75	56	3,429,732	3,501,120	3	,501,12
Number of stockholders	•	15,852	15,86	1	15,807	14,688		15,43

AWARD WINNERS OF 1957



STAG SHAVE CREAM Co-winner of Grand Award for best aerosol package and First Place for best aerosol package in shave products class—presented by Chemical Specialties Manufacturers Association, Inc.

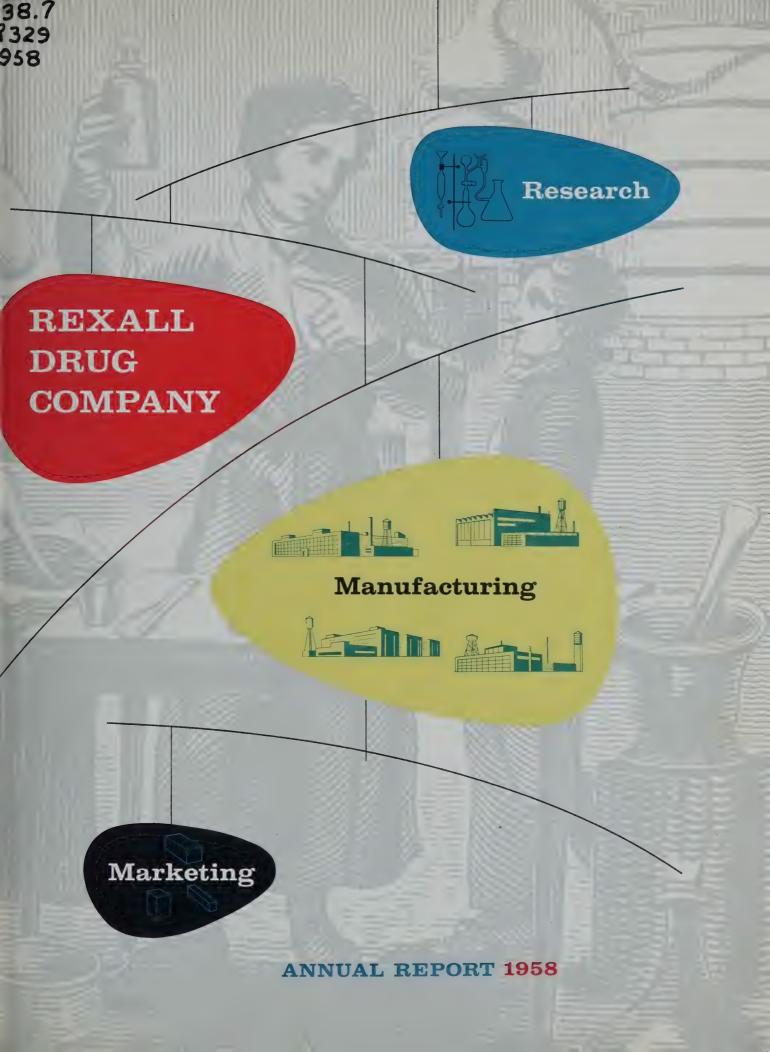


ADRIENNE SPACE FRAGRANCE Winner of First Place for the best aerosol package in room deodorant class — presented by CSMA, Inc.

ALCO MIST BODY SPRAY First Place, best aerosol package in medicinal and pharmaceutical products class — presented by CSMA, Inc.

These award-winning package designs were conceived and created wholly within the packaging section of the Rexall Advertising Department. They represent a few of the many new products Rexall is producing under an accelerated product development and marketing program.

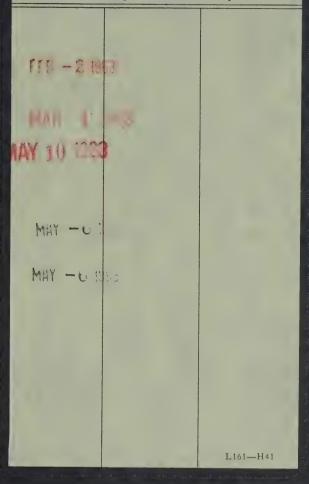
Rexall



Board of Directors	CHESTER W. ANDERSON Los Angeles, California EARL E. ANDERSON Montclair, New Jersey HIRAM C. BENDER Los Angeles, California JOHN BOWLES Los Angeles, California JOHN C. CORNELIUS Minneapolis, Minnesota JUSTIN W. DART Los Angeles, California PAUL A. DRAPER Boston, Massachusetts RUDOLPH J. DREWS Los Angeles, California ROLAND F. HALLETT Los Angeles, California F. THATCHER LANE Litchfield, Connecticut WALTER T. LILLIE Los Angeles, California GEORGE L. MAISON, M.D. Northridge, California ADÉ SCHUMACHER Cos Cob, Connecticut JAMES E. SHELTON Los Angeles, California VERNON F. TAYLOR San Antonio, Texas EARL S. TUPPER Smithfield, Rhode Island HOLMES TUTTLE Los Angeles, California Los Angeles, California
	JUSTIN W. DART, Chairman Los Angeles, California
Executive Committee	EARL E. ANDERSON Montclair, New Jersey VERNON F. TAYLOR
Audit Committee	EARL E. ANDERSON, Chairman
Officers	JUSTIN W. DART
Transfer Agents	Guaranty Trust Company of New York, New York—Second Bank-State Street Trust Company, Boston—Bank of America National Trust & Savings Association, Los Angeles.
Registrars	The Chase Manhattan Bank, New York—The National Shawmut Bank of Boston, Boston—California Bank, Los Angeles.
Independent Auditors	Price Waterhouse & Co.
World Headquarters	Rexall Square, 8480 Beverly Blvd., Los Angeles 54, California.

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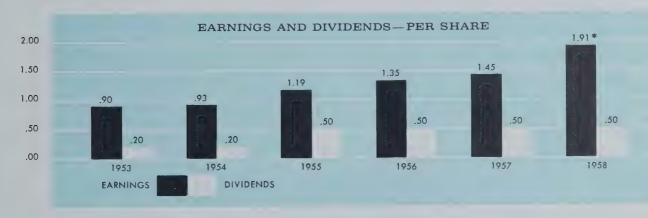


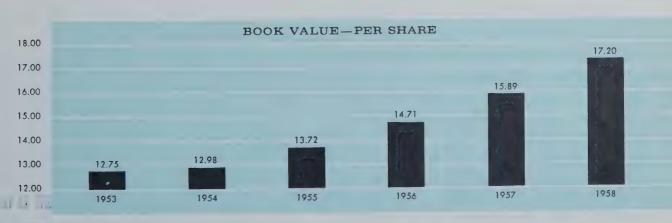
FINANCIAL SUMMARY

Summary of Income and Expenses

	1958	1957
Net Sales—income received from customers for products sold	\$182,371,453	\$167,567,195
Operating Expenses		
Purchases of materials, products and supplies and expenses of manufacturing, distribution		
and administration	122,309,733	113,764,198
Wages and salaries of employees	41,592,862	38,821,812
Interest on borrowed money	1,358,765	935,621
Wear and tear on plant and machinery	2,436,890	2,048,967
Taxes – Federal, state and local	8,368,043	7,382,762
	176,066,293	162,953,360
Net Earnings	\$ 6,305,160	\$ 4,613,835
Per Share		
Net earnings	\$ 1.91*	\$ 1.45
Dividends paid	0.50	0.50
Stockholders' equity at end of year	17.20	15.89

^{*}Net earnings per share amounts for 1958 above and in charts below are based upon the average of shares outstanding during the year; for prior years they are based upon the number of shares outstanding at the end of each year.







Justin W. Dart, President of Rexall and corporate staff: (left to right) William H. Madden, Jr., Director of Business Development; Robert L. King, Vice President-Industrial Relations; Roland F. Hallett, Vice President and General Counsel; Rudolph J. Drews, Vice President, Staff Administration; Justin W. Dart, Walter T. Lillie, Vice President and Treasurer; Bert K. Henry, Controller; Fred W. Johnson, Director of Public Relations and Public Services.

THE PRESIDENT'S LETTER

To the Stockholders of Rexall Drug Company

It is my privilege to present to you the Annual Report of your Company for 1958:

Net sales for 1958 amounted to \$182,371,453. This was a gain of \$14,804,258, or 8.8 per cent over the \$167,567,195 of 1957.

\$6,305,160 for 1958, as compared with \$4,613,835 the previous year. The gain of \$1,691,325 was at the rate of 36.6 per cent. The per share equivalents were \$1.91 per share for 1958 on 3,299,418 shares, the average number outstanding during the year, as against \$1.45 per share on the 3,181,673 shares outstanding at the end of 1957. On December 31, 1958, there were 3,454,449 shares outstanding.

Provision for Federal and Canadian taxes on 1958 income was \$5,300,000 as compared with a provision of \$4,600,000 for 1957.

Vinancial – Consolidated balance sheet as of December 31, 1958, showed current assets totaling \$83,927,488 of which \$20,002,865 was in cash and short term securities. Current liabilities were \$29,171,941 leaving net working capital of \$54,755,547, an increase of \$4,657,940 during the year.

Long term indebtedness increased \$6,806,877 during 1958 to a total of \$31,160,939. A new \$5,000,000 $4\frac{1}{2}\%$ five-year bank loan was made in connection with the acquisition of the Tupper companies. From the insurance loan negotiated in 1957, we received the remainder of \$1,615,000.

Dividends – During the year we continued our regular quarterly cash dividends totaling 50 cents per share. In October, 1958, your Board of Directors voted an additional dividend of 3% in stock, payable March 6, 1959, to stockholders of record on February 6, 1959. We expect the profit trend in 1959 will permit another stock dividend in addition to the usual cash dividend. We plan to continue annual supplementary stock dividends as long as growth and profits warrant such action.

Acquisitions—The purchase of Tupper Corporation and Tupperware Home Parties, Inc., as of September 1, 1958, was a major addition to our Chemo-Plastics Division. A description of these companies and their operations is given on Pages 12 and 13 of this Annual Report. Sales and earnings for these two companies have been included in the consolidated financial statements only for the period from September 1, 1958, to December 31, 1958.

Negotiations for the acquisition of Chippewa Plastics, Inc., located at Chippewa Falls, Wisconsin, were completed in February, 1959. A special meeting of the stockholders of Chippewa Plastics, Inc. has been called to approve the transaction. Chippewa is a producer of polyethylene film. This film is used for wrappings, bags, agricultural cover, and many other applications.

Carnegies of England, a manufacturer of pharmaceutical chemicals, was purchased in January, 1959. This broadens the base of technical competence of our growing and profitable Riker Laboratories operating in Loughborough, England. Carnegies will provide the vehicle for strengthening our research establishment outside of the United States.

Sales of Subsidiary Properties —We are expanding our activities principally in ethical drugs, fine chemicals, petrochemicals and plastics. To more fully concentrate in these fields, we completed negotiations for the sale of Eastern Tablet Company, Albany, New York, in February, 1959. We also sold V. C. A. Laboratories, Los Angeles, California. Both sales were favorable to your Company and were for amounts in excess of our net investments. We will continue to manufacture Rybutol for V. C. A. in our St. Louis Plant.

Addition to Our Corporate Name — In the proxy statement for the Annual Meeting you will find a recommendation to add to our name the words—"and Chemical"—making the new name Rexall Drug and Chemical Company. In 1958 your Company substantially expanded its operations in the chemical field. Our Chemo-Plastics Division now is an important factor in overall earnings and represents a significant portion of our invested capital. It is anticipated that a major portion of our future growth will be in petrochemicals and allied chemical fields. Therefore, this addition to the corporate name more accurately points up the direction in which your Company is growing.

Outlook -The year 1958 was the seventh consecutive year of increasing earnings. Based upon current forecasts we anticipate a further substantial increase in both sales and earnings in 1959.

The Annual Meeting of the Stockholders will be held in Los Angeles, California, on April 21, 1959. If you are unable to attend, we urge you to exercise your voting rights and mail in your proxy as soon as convenient.

Respectfully submitted,



PROPRIETARY DIVISION



REXALL DIVISION

Los Angeles, California

The familiar Rexall Orange and Blue identification is now displayed by more independent druggists than at any time in our history. In 1958 the Rexall Division intensified its franchise program. Special franchise campaigns were centered in six major cities. In 1959 this will continue in seven carefully selected areas.

Rexall druggists are benefiting from this identification. All surveys point to Rexall as the best known name in drugs. This franchise makes the Rexall druggist the exclusive sales agency for the products bearing the famous Rexall trademark. Included are pharmaceuticals, proprietary drugs, cosmetics, surgical and sickroom supplies and other items manufactured by Rexall in its own plants.

In addition the Rexall druggist is offered a wide range of sundry and household items. This gives him the advantage of volume buying by the Rexall Division. It gives him the backing of Rexall National Advertising.

Total sales for the Rexall Division, through 10,000 Rexall drug stores in the United States, reached a new high in 1958. Great emphasis was placed on special Rexall merchandise. "Super Plenamins", a multi-vitamin, "Thru", a penetrating analgesic, "Bisma-Rex", an antacid, and "Super Anapac", a cough and cold product, were featured in displays and promotions.

This shift to product promotion is another strong incentive for the independent druggist to secure a Rexall Franchise. He has the exclusive right to sell Rexall Products. It enables him to compete successfully with the growing distribution of drug products in super markets, variety stores, etc. The steady growth in acceptance of these advantages indicates that 1959 will again show a substantial increase.

New Product Development

The Rexall position of leadership requires constant concentration on new product development. Laboratory research, infinite product testing and consumer-conscious packaging design were accelerated in 1958.

Many new products were introduced. Some were the result of totally new ideas. Others were a new application of an existing item. Often they were additions of exclusive new ingredients to already proven products.

These approaches to new products are illustrated by the following 1958 additions to the Rexall Line.



The Super Plenamins family of vitamin products has been expanded to include a liquid form for children.



Bisma-Rex Seltzer with exclusive bismuth aluminate has joined the popular line of Bisma-Rex antacid products.



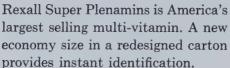
Super Anapac's recognized leadership among cold remedies now offers its relief giving formula with a nasal decongestant added.



Public acceptance of aerosols has been an industry phenomenon. Rexall is marketing a new "On Tap" line of low-pressure aerosol toiletries. It includes shampoo, hand lotion and facial cleanser.

The modern design of Rexall packaging is contributing to the steady increase in the sale of Rexall products. Additional personnel has been added to work on the styling, color concepts and containers. Again this year Rexall products received national awards for their attractive styling.







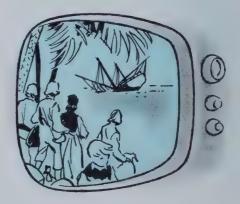
This styling is reflected in Rexall's new Baby Care line. Rexall Baby Powder and other baby products have always received the highest quality ratings. They carry the Parents Magazine Seal of Commendation. The package styling is attracting the eye of the buying public.

National Advertising

Advertising by the Rexall Division grew in effectiveness in 1958. Building on the experience of the Fall One Cent Sale of the previous year, network television and advertising in the magazine section of the Sunday newspapers were concentrated the same day. This achieved the greatest possible impact in the homes of America.

The Sunday newspaper ads urged the readers to watch the Rexall TV Spectacular later in the day. The telecast commercials referred the viewer to the Rexall Ad in the Sunday newspaper. In the newspaper ad was a complete list of items featured on the Rexall Sale.





These spectaculars promoted the 1958 One Cent Sales, "Hansel & Gretel" for the Spring Sale... "Swiss Family Robinson" for the Fall Sale. Both contributed greatly to the success of these two events. This new principle will be expanded in Rexall advertising in 1959.

The telecasts selected have a wide appeal to the family audience. Already scheduled for 1959 have been Agatha Christie's "Ten Little Indians" in January and "Frances Langford Presents", a color spectacular, in March. The presentation in May will star Sid Caesar, Art Carney, Audrey Meadows and Jaye P. Morgan.

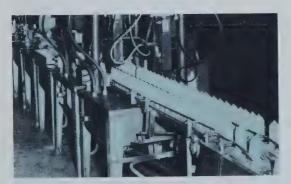


Rexall is adding the fast growing "Family Weekly" to its list of Sunday newspaper magazines carrying Rexall advertising. The 175 newspapers distributing this publication complement the circulation of those carrying "This Week Magazine" and "Parade." Rexall print advertising is now carried in 348 Sunday newspapers with a total circulation of thirty-five million.

Manufacturing and Distribution

The Rexall manufacturing plant in St. Louis produces all of the Rexall drugs, cosmetics and toiletries. Uniformity and high quality of production are constantly maintained. Rexall products are unsurpassed for purity.

Production facilities include aerosol packaging, tablet manufacturing and the



Aerosol Packaging at Rexall St. Louis Factory

processing of liquid pharmaceuticals and proprietary items. This plant produced over five billion tablets during 1958.

From St. Louis, Rexall products are sent to ten modern Rexall warehouses and distribution centers. There, the finest drug products in the world are quickly forwarded to Rexall druggists throughout the United States.

Tested Products Company

Utilizing facilities of the St. Louis plant, Tested Products manufactures merchandise under private label for other companies. Volume increased during 1958. Howard Neill, former president of Eastern Tablet Company, has become president of this company.



Rexall Drug Company, Ltd., Cooksville, Ontario, Canada

Foreign Operations

New headquarters of the Rexall Drug Company, Ltd. of Canada was officially opened in October, 1958. It is located in Cooksville, Ontario, a suburb of Toronto. The modern building provides facilities for research, manufacturing, warehousing and general and administrative offices. The 20-acre site affords substantial ground for future expansion.

This is a symbol of nearly fifty years of growth and development. The head-quarters serves some 1,500 Canadian Rexall druggists. With warehouses in Winnipeg, Manitoba, and Vancouver, B.C., Rexall products are readily distributed to Rexall druggists throughout the provinces.

The continued growth of Canadian operations is indicated by the consistent rise in Canada's population and in its per capita disposable income.

In addition to Canada, Rexall has subsidiaries in England and South Africa. Though these companies are relatively small, they have long term potentials for growth in both sales and profits.

Rexall Realty Corporation

This cooperative program was started in 1956. It enables independent druggists to operate new shopping center drug stores. Rexall Realty secures advantageous leases in newly developed suburban shopping centers. It provides a major portion of the financing necessary to open these stores. The independent druggist, operating as a partner, gives each store personal management. Arrangements provide for the druggist to become sole owner within a few years. This establishes an independent Rexall druggist in a most desirable location.

At the end of 1958, there were 27 stores in this program. Progress has been steady. A basic pattern has now been developed for aggressive expansion. Plans for 1959 indicate many additional stores.

Sam Prusky, President of V.C.A. at the time of its sale, will head this expanded Rexall Realty operation.

ETHICAL DRUG AND CHEMICAL DIVISION



Riker Laboratories, Inc., Northridge, California

RIKER LABORATORIES, INC.

Northridge, California

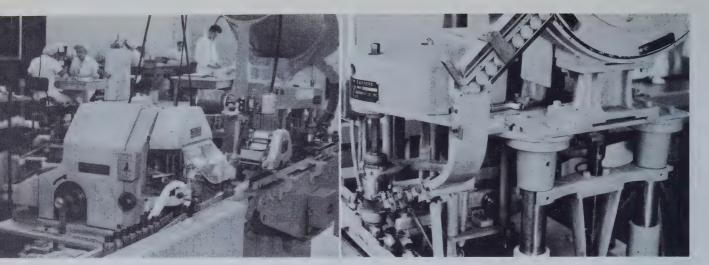
Sales of Riker brand prescription pharmaceuticals have increased steadily over the past five years. In 1958 sales exceeded those for any previous year. Riker companies in England, Canada, Australia and South Africa recorded comparable gains.

Riker operations have resulted in a substantial contribution to the overall profits of Rexall.

Plans for Riker expansion and development pointed up the need for closer coordination of research, production and administration. Early in 1958 ground was broken for the Riker Headquarters in Northridge, California. In October the employees, equipment and materials, formerly at three locations in Los Angeles, were housed in their new home.



Riker Ground-Breaking Ceremony: (left to right) Dr. J. W. Stutzman, Vice President, Research and Development; Seymour H. Mann, Vice President, Manufacturing; Dr. George L. Maison, President of Riker; Justin W. Dart, President of Rexall; and Alfred H. Ridges, Vice President, Sales and Promotion.



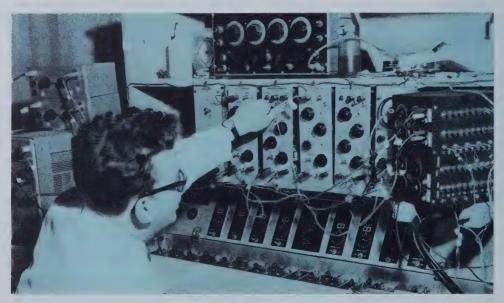
Manufacturing facilities, new Riker plant.

The main headquarters buildings include research laboratories, manufacturing facilities, general and administrative offices. There are separate specially designed buildings for chemical processing, warehousing and a self-contained power plant. These facilities are adaptable for future expansion at minimum costs. The modern design will reduce maintenance costs far below average.



Newest of the ethical drugs manufactured by Riker is Deaner. It is a non-toxic antidepressant drug, the result of four years of research and testing. Before marketing in May, 1958, it had undergone clinical trials with over 3,000 patients. Together with previous products of Riker research, including Medihaler-Iso, Medihaler-Epi, Medihaler-Phen, Veriloid and Rauwiloid, it is now available on prescription in many countries throughout the world.

Research activities in specialized fields will again be expanded in 1959, in accordance with Rexall's policy of emphasis on growth for all its divisions.



Hans Gangloff, M. D., Riker staff, checks the effect of drugs on the central nervous system by means of an electroencephalograph machine.

Expansion of Riker in other countries continues. Riker Pharmaceutical Co., Ltd. of Canada has moved to new premises at Cooksville, Ontario. Plans have been completed for removal of Riker Laboratories (Pty) Ltd., Africa, from Port Elizabeth to Capetown. To implement the founding in 1958 of Riker Laboratories (Pty) Australia, Mr. John Preiss of Sydney, N. S. W. studied methods and procedures at Riker Headquarters in Los Angeles.

Riker Laboratories, Ltd. in England has outgrown its facilities. Plans have been drawn to provide additional space.

The future growth potential of Riker in the technical pharmaceutical areas has been carefully analyzed. The initial step in these long term plans was the purchase of Carnegies of Welwyn, Hertfordshire, England. Carnegies is a manufacturer of specialty pharmaceutical chemicals. Completion of this acquisition, in January 1959, was made by Mr. John Lumley, Chairman of the Board of all English enterprises and Managing Director of Riker Laboratories, Ltd. The services of Dr. Michael Witte were obtained to organize and head a Carnegies branch in the United States.

For seventy-five years Carnegies has been known especially for pure alkaloids derived from plants—quinine, strychnine and brucine. The factory is well equipped for the manufacture of synthetics. Principal products include piperazine, catechol amines, and bismuth salts. The American branch will specialize in synthetics. In the beginning it will concentrate on salicylate derivatives.



High pressure autoclave for Isoniazide synthesis, Carnegies of Welwyn Garden City, Hertfordshire, England.



W

The major plants of Tupper Corporation

Upper Right: Brain and General Heade

Center Right: Fam:

Lower Right: Black which it takes its no

Tupperware is famous for efficiency, economy and unchallenged beauty. The patented "Tupper Seal," a virtual "vacuum pack," is the leader in the industry. The complete line includes over 100 items for refrigerator, freezer, pantry, table, picnic basket and home uses. It carries the Parents Magazine Seal of Commendation and the Good Housekeeping Guaranty Seal.

The selling principles and techniques used by Tupperware Home Parties, Inc. have built one of our country's greatest sales programs. Since 1946 Tupperware has been sold on the home party plan. Tupperware will continue to be sold exclusively by independent distributors. It will not be sold in Rexall stores or other outlets.

Home parties are successful, because they are both fun and profitable. The hostess benefits by receiving a lovely Hostess Gift. The guests benefit by learning more about the money—space—time saving features of Tupperware. The dealer benefits, both through earnings and the satisfaction of rendering a real service to the hostess and guests.

Independent Tupperware distributors are located throughout the country. Most are conveniently listed under Tupperware in the Wholesale Plastic Products Section of the Classified Telephone Directory.

Tupper manufacturing and research experience combined with Tupperware sales promotion will contribute materially to Rexall's future.

Mr. John Ansley, former Executive Vice President of the Tupper Corporation, is President of the Tupper Company. Mr. Hamer Wilson, formerly National Sales Manager, is President of Tupperware Home Parties, Inc.



TUPPERW

The Tupperware tropical setting of thousands of Tupp

A typical Tuppers There are Tuppers Canada, Hawaii ar

COMPANY

et, Rhode Island

per Company (formerly known as the ired on the right.

Research and Development Laboratory oonsocket, Rhode Island.

assachusetts, birthplace of Tupperware.

ssachusetts, overlooking the river from









HOME PARTIES, INC.

ndo, Florida

eters, pictured above, is located in a dd gardens. It is visited each year by lers, their hostesses and friends.

party is illustrated to the left above. throughout the United States and in .ico.



CHEMO-PLASTICS DIVISION



TUPPER COMPANIES

(left to right) John Ansley, President of Tupper Company; Chester W. Anderson, Rexall Vice President and Hamer Wilson, President of Tupperware Home Parties, Inc. (insert) Gary McDonald, Executive Vice President, Tupperware Home Parties, Inc.

SEAMCO CHEMICAL

Holyoke, Massachusetts

Maximum production with existing facilities was reached by Seamco in 1958. Plans to double the production capacity for the manufacture of polystyrene have been approved. This expansion will be completed late in 1959.

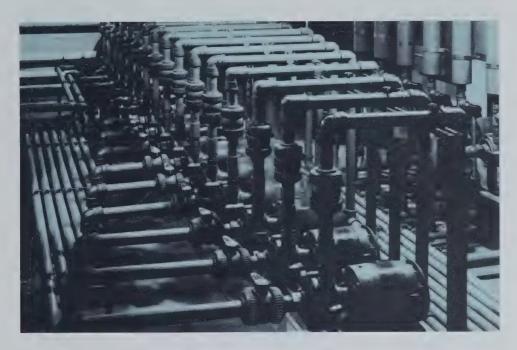
This growth in operations has resulted in an extension of our arrangements with a subsidiary of El Paso Natural Gas Company. Increased from five to ten years, these arrangements include styrene supply and joint research activities. Seamco will continue in the research and development of improved specialty products. Particular attention will be centered on medium impact and high impact polystyrene materials. The expanded facilities will provide equipment for the production of these new products.

KRALOY PLASTIC PIPE CO., INC.— CHEMTROL—E & A SALES

Los Angeles, California

The production and marketing of plastic pipe, valves and fittings by Kraloy, Chemtrol and E & A Sales, respectively, provide a complete "Installation Package" for industry and other uses.

Dramatic proof of the effectiveness of this "package" concept is the illustration below. It depicts a section of the Motion Picture Film Processing Laboratory, Patrick Air Force Base, Florida.



This laboratory processes the critical and irreplaceable motion picture records of the missile testing performed at Cape Canaveral. Two and one-half miles of Kraloy polyvinyl chloride (P. V. C.) pipe, 500 Chemtrol plastic ball valves and over 3,000 E & A plastic fittings were used in this system.

The selection of plastic pipe, valves and fittings for this laboratory was made because of recent improvements in production methods. Close tolerances are now being achieved. Ability to withstand corrosion was required and, in this instance, was intensified by the use in the process of a wide range of chemicals and solutions.

The versatility of plastic pipe, valves and fittings is attracting attention in many fields. It resists corrosion. It is light weight. It provides unequaled ease of handling in installation. To meet the growing demand, Kraloy, Chemtrol and E & A Sales will be increasing their facilities and personnel during 1959.

Industry projections, for sales in plastic pipe during the next five years, indicate extraordinary growth. These projections are based on the use of plastic pipe for electrical conduit, private and public utility pipe lines, oil field systems, agricultural and turf irrigation and industrial applications. Our awareness of this potential is demonstrated by several prototypes of new pipe, valve and fitting products already undergoing exhaustive tests.

HOSPITAL AND RUBBER GOODS DIVISION



The Seamless Rubber Company, New Haven, Connecticut

THE SEAMLESS RUBBER COMPANY

New Haven, Connecticut

Seamless is the major unit in Rexall's Hospital and Rubber Goods division. In 1958 it put into operation a new and intensified sales program. In 1959 this sales effort will employ a force 50% greater than before.

New products developed by Seamless have been numerous. "Safe-T-Clad" pipe wrap was first marketed in 1958. This tape wrapping was the result of three years of research and development. It has already proved an advance in the protection of underground steel pipe from corrosion. It is more economical than present tar pipe coatings and tests forecast a much longer protective life.

The most highly publicized new Seamless product in the sporting goods field has been the "Super-K" line of basketballs. Made from compounded elastomers these balls reflect a new concept in color. The gripping surface affords greater ease of handling. They wear better under the rough treatment of outdoor play. Tests indicate that they are unequaled for durability.

Export sales are an important factor in the operations of Seamless. The increasing trend of these sales is expected to continue. The development of the "European Common Market" may offer further opportunities to expand foreign sales.

ABSORBENT COTTON COMPANY

Valley Park, Missouri

Processing cotton for surgical bandages and a wide variety of uses, Absorbent Cotton showed exceptionally good operating results in 1958. Further improvement is expected in 1959.

A four year program of improvement of equipment, plant and processes will be completed in 1959. As a result, Absorbent Cotton will have one of the most modern cotton and gauze processing plants in the country.

UNITED COTTON PRODUCTS COMPANY

Fall River, Massachusetts

United Cotton designs and produces highly specialized industrial abrasive products to meet the specific requirements of the metal fabricating and heavy manufacturing industries. Its future is tied directly to activities in these industries.

Forecasts for 1959 indicate a general trend upward. United Cotton will continue to concentrate on patent development. Through licensing agreements, patented products will be marketed by major manufacturers.

RETAIL DIVISION

LIGGETT DRUG COMPANY, INC., East Coast

Stamford, Connecticut

THE OWL DRUG CO., West Coast

Los Angeles, California

At the close of 1958 there were 180 drug stores operating within our Retail Division. Acquired during the year were six Madison and ten Touchton stores located in Western and Central Florida.

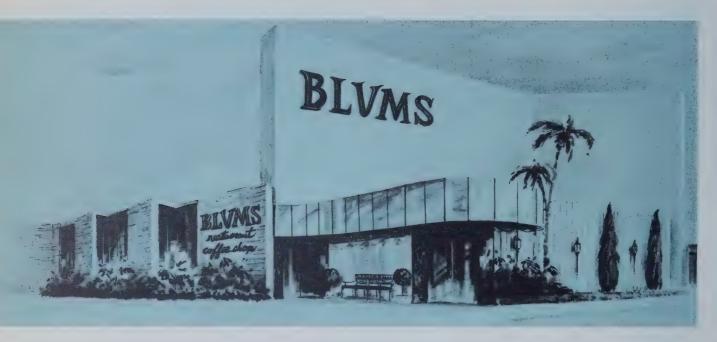
In October, 1958, the Liggett headquarters was moved from New York City to Stamford, Connecticut. The headquarters building combines space for general offices and a modern, efficiently equipped warehouse. Featured in the office installation is an IBM RAMAC 305. This data processing unit establishes improved control of billings, inventory and accounting records. Liggett is the first to use this for drug chain operations.

The Owl program to develop larger Shopping Center stores, replacing marginal company units, was accelerated in 1958. Owl also opened two new Gales Coffee Shops in San Francisco, and at Rexall Square in Los Angeles.

Independently owned drug stores, participating in the retail agency plan, increased to 329, at the end of 1958. Further expansion is planned in 1959.



Owl Drug Store, Bell, California



Blum's newest and largest restaurant opening March, 1959, Wilshire Boulevard and Beverly Drive, Beverly Hills, California. Featured are a complete confectionery, fountain-coffee shop, dining room, cocktail lounge and banquet facilities.

BLUM'S

San Francisco, California

Blum's is nationally famous for fine candies and specialty restaurants. Operating principally in the San Francisco and Los Angeles areas, it continued to expand in 1958.

A new store was opened in the Sheraton Palace Hotel on Market Street in San Francisco. An attractive shop featuring Blum's candies was established in the San Francisco Airport. In New York, Blum's opened at 700 Fifth Avenue.

In 1959, Blum's largest restaurant will be located on Wilshire Boulevard in Beverly Hills. Another will operate in the exclusive I. Magnin & Co. store, in Los Angeles, California.

INDEPENDENT AUDITORS REPORT

PRICE WATERHOUSE & Co.

530 WEST SIXTH STREET

LOS ANGELES 14

March 3, 1959

To the Board of Directors
of Rexall Drug Company

In our opinion, the accompanying statements present fairly the consolidated financial position of Rexall Drug Company and its consolidated subsidiaries at December 31 1958 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse a Co.

CONSOLIDATED BALANCE SHEE

ASSETS

Current Assets	1958	1957
Cash	\$ 19,500,365	\$13,178,427
Short term securities at cost and redemption amount	502,500	1,252,500
•	20,002,865	14,430,927
Accounts and notes receivable, less reserves of	, ,	
\$704,193 in 1958 and \$548,670 in 1957		
Customers	17,901,833	15,887,560
Others	2,152,709	1,838,202
Inventories, at cost or market whichever lower		
1958 1957		
Raw materials and supplies		
Work in process		
Finished merchandise	43,870,081	40,119,391
Total Current Assets	83,927,488	72,276,080
Investments, Advances and Noncurrent Receivables	The state and the second secon	
Investments in and advances to subsidiaries not consolidated		
United States subsidiaries (Rexall equity in net		
assets \$1,207,000 in 1958 and \$692,000 in 1957)	1,159,530	721,802
Foreign subsidiaries wholly owned (net assets	, ,	
were \$2,091,000 in 1958 and \$1,913,000 in 1957)	595,340	493,215
Due from sale of retail stores and other properties	840,347	537,671
Due from officers and employees under stock purchase plan	634,385	739,323
Other receivables, deposits and investments, less reserve	1,279,712	1,634,519
	4,509,314	4,126,530
Property Accounts, at Cost	***	
	1,765,804	1,793,367
Land	13,120,274	10,787,115
Buildings and building fixtures	19,811,918	15,564,639
Machinery and equipment	13,024,345	12,517,338
Store fixtures, leasenoids and improvements	47,722,341	40,662,459
Less accumulated depreciation	21,707,280	20,500,229
Less accumulated depreciation	26,015,061	20,162,230
	man from the contract of the c	518,390
Insurance, Taxes, Rent and Other Deferred Charges	794,497	910,990
Intangibles		
Excess of investments in subsidiaries over net assets acquired	3,919,657	1
Patents, less amortization	568,780	And an analysis of the second
	4,488,437	1
	\$119,734,797	\$97,083,231
See accompanying notes to financial statements.		

EMBER 31, 1958 and DECEMBER 31, 1957

Current Liabilities

Accounts payable .

Stockholders' Equity

Authorized, 5,000,000 shares, par value \$2.50 each

(Of the 1958 amount \$2,384,249 is reserved for a 3%

Less cost of treasury stock, 46,671 shares in 1958 and

stock dividend (103,663 shares) payable March 6, 1959)

Earnings retained and used in the business per accompanying statement

\$ 13,464,685 \$ 9,594,923 3,930,665 3,331,131 4,232,953 5,219,254 811,762 1,144,201 Estimated Federal and Canadian taxes on income for current and prior years . . . 5,413,136 4,207,704 29,171,941 22,178,473 Total Current Liabilities . . . Long Term Indebtedness, less current instalments shown above Unsecured notes, $3\frac{3}{8}\%$ to $5\frac{3}{4}\%$, due in instalments 1959 to 1980 24,103,000 23,376,000 5,000,000 2,057,939 978,062 31,160,939 24,354,062 Capital stock of Rexall Drug Company

1958

8,752,800

12,249,504

38,847,444

59,849,748

447.831

59,401,917

\$119,734,797

8,752,800

10,601,647 34,182,699

53,537,146

2,986,450

50,550,696

\$97,083,231

1957

LIABILITIES

CONSOLIDATED STATEMENT OF EARNINGS AND EARNINGS RETAINED AND USED IN THE BUSINESS

	1958	1957
Sales, less returns, allowances and discounts	\$182,371,453	\$167,567,195
Deduct:		
Cost of goods sold	108,530,684	100,162,891
Selling, distribution, promotional and administrative expenses	58,439,954	55,205,881
Depreciation	2,436,890	2,048,967
Interest on indebtedness	1,358,765	935,621
	170,766,293	158,353,360
Earnings before taxes on income	11,605,160	9,213,835
Provision for Federal and Canadian taxes on income	5,300,000	4,600,000
Net earnings for the year	6,305,160	4,613,835
Earnings retained and used in the business at beginning of year	34,182,699	31,202,199
	40,487,859	35,816,034
Dividends paid — 50¢ per share	1,640,415	1,633,335
Earnings retained and used in the business at close of year	\$ 38,847,444	\$ 34,182,699

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF OTHER PAID IN CAPITAL

	1958	1957
Other paid in capital at beginning of year	\$10,601,647	\$10,598,153
Excess of fair value over cost of 233,000 shares of treasury stock		
exchanged for the capital stocks of subsidiaries acquired	1,609,451	
Gain on sale of treasury stock	36,905	
Other credits	1,501	3,494
Other paid in capital at close of year	\$12,249,504	\$10,601,647

NOTES TO FINANCIAL STATEMENTS

BASIS OF CONSOLIDATION — All wholly owned United States and Canadian subsidiaries and Blum's, a 93% owned subsidiary, are consolidated. The minority interests in income and in ownership of Blum's are relatively insignificant and are not shown separately.

Tupper Corporation and its affiliated companies and Madison and Touchton Drug companies were acquired in 1958. The consolidated accounts for the year include the sales and net earnings of these companies from September 1, 1958. The excess of the purchase price (partly treasury stock) of these companies over the value assigned to the tangible assets and patents acquired is shown as a separate item in the balance sheet. It is the Company's present intention not to amortize this amount.

REFUND CLAIM — No amounts have been included in the financial statements in respect of claims seeking recovery of Federal excess profits taxes. The claims filed in 1953 are based on a contention that the excess profits credits should be increased for the years 1940 to 1945, inclusive.

STOCK OPTIONS — Two officers were granted options in 1956 to purchase 30,000 shares of treasury stock over a period of ten years for approximately \$295,000, the market value at date of grant. None of these options was exercised in 1958.

In 1957 the Company adopted a stock option plan under which options may be granted to officers and employees to purchase a maximum of 150,000 shares of common stock at the market price on the date of grant. Options were granted in 1957 and 1958 for 33,000 and 82,000 shares respectively. Two 1957 options for 1600 shares were exercised in 1958. At December 31, 1958 under the plan there were options outstanding of 113,400 shares for approximately \$1,405,000 and there were 35,000 shares for which options had not been granted. In January 1959 an option for 7,500 shares was granted. The number of shares in all outstanding options will be increased 3% with no change in the aggregate dollar amounts upon payment of the 3% stock dividend in March, 1959.

EARNINGS AVAILABLE FOR DIVIDENDS — Under agreements covering long term indebtedness, \$9,000,000 of the \$38,847,444 of retained earnings at December 31, 1958 is not restricted as to payment of cash dividends. The agreements impose no restriction on the payment of stock dividends.

LEASE LIABILITIES — At December 31, 1958 the Company and its consolidated subsidiaries were committed under some 218 leases of real property expiring more than three years after that date with minimum annual rentals of approximately \$3,750,000. Two per cent of this amount relates to leases expiring more than 26 years after December 31, 1958.

In addition, subsidiary companies have leased (most with options to purchase) store fixtures for periods of six and a half years or more, in most cases at aggregate basic rentals which over the lease periods approximate the cost of the fixtures plus carrying charges. The present total annual rental payable is approximately \$518,000.

CONSOLIDATED STATISTICAL SUMMARY

in thousands of dollars

Financial Operations

The state of the s	1958	1957	1956	1955	1954	1953
Net sales	\$ 182,371	\$ 167,567	\$ 155,633	\$ 153,465	\$ 176,138	\$ 189,244
Earnings before Federal and Canadian income taxes and special items	11,605	9,214	9,074	8,916	6,567	6,456
Federal and Canadian income taxes	5,300	4,600	4,600	4,850	3,300	3,300
Net earnings	6,305	4,614	4,474	4,066	3,267	3,156
Earnings per share of common stock	\$ 1.91*	\$ 1.45	\$ 1.35	\$ 1.19	\$.93	\$.90

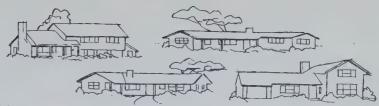
^{*} Based upon the average of shares outstanding during the year.

Financial Position

	1958	1957	1956	1955	1954	1953
Cash and short term securities \$	20,003	\$ 14,431	\$ 14,533	\$ 17,830	\$ 12,463	\$ 12,593
Accounts receivable	20,054	17,726	16,722	15,005	14,346	15,130
Inventories	43,870	40,119	35,436	34,563	38,246	37,225
Current assets	83,927	72,276	66,691	67,398	65,055	64,948
Less-Current liabilities	29,172	22,178	20,840	19,718	18,803	20,120
Working capital	54,755	50,098	45,851	47,680	46,252	44,828
Property, machinery and equipment (net)	26,015	20,162	18,207	17,639	17,869	20,440
Investments, advances, prepaid expenses, etc	5,304	4,645	6,070	4,653	3,943	3,974
Intangible assets	4,489					
Less—Real estate and equipment obligations	2,058	97,8	811	883	927	1,356
Other long term indebtedness	29,103	23,376	20,622	22,020	21,775	23,238
Stockholders' equity	59,402	\$ 50,551	\$ 48,695	\$ 47,069	\$ 45,362	\$ 44,648
Stockholders' equity—per share \$	17.20	\$ 15.89	\$ 14.71	\$ 13.72	\$ 12.98	\$ 12.75
Number of shares of stock outstanding	3,454,449	3,181,673	3,310,756	3,429,732	3,501,120	3,501,120
Number of stockholders	16,911	15,852	15,865	15,807	14,688	15,435

The Rexall BIG 4

In more homes than ever before...





Rexall Super Plenamins

America's largest selling multi-vitamin formula. Tablets for adults and children. New liquid form for children.



Rexall Super Anapac

With new nasal decongestant. Relieves miseries of colds, hay fever, sinus congestion, allergies. Tablets and cough syrup.



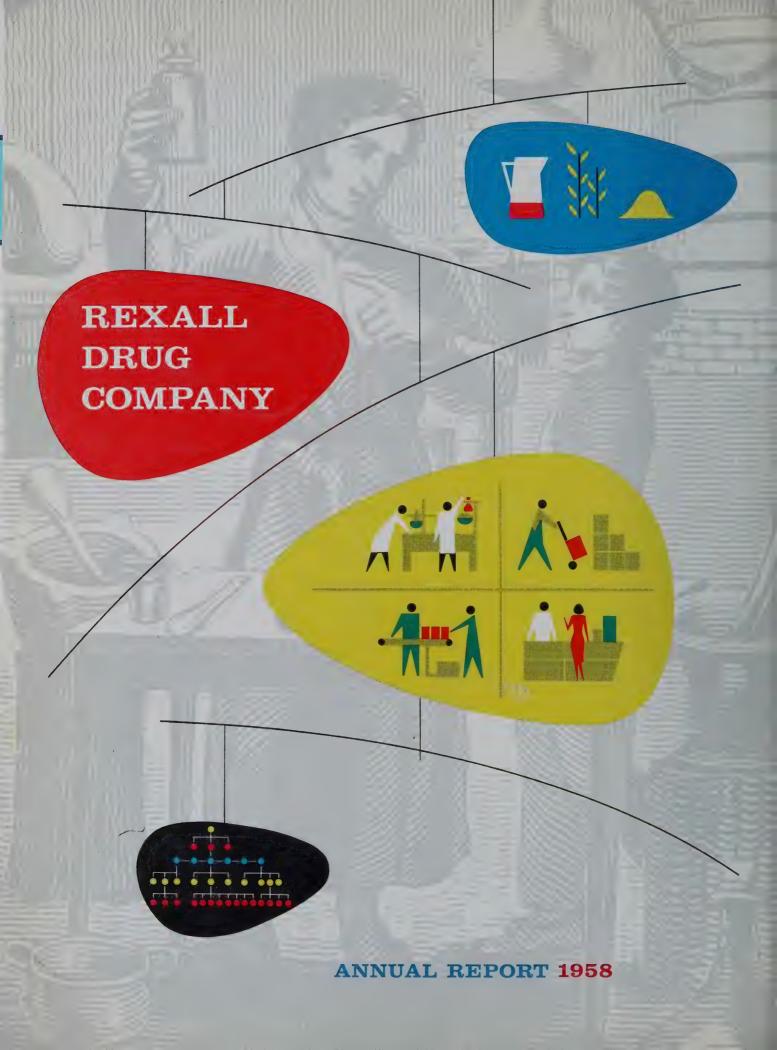
Rexall Thru

New exclusive penetrating analgesic that actually goes through the skin to relieve pain where it hurts. Liquid and gel forms.



Rexall Bisma-Rex

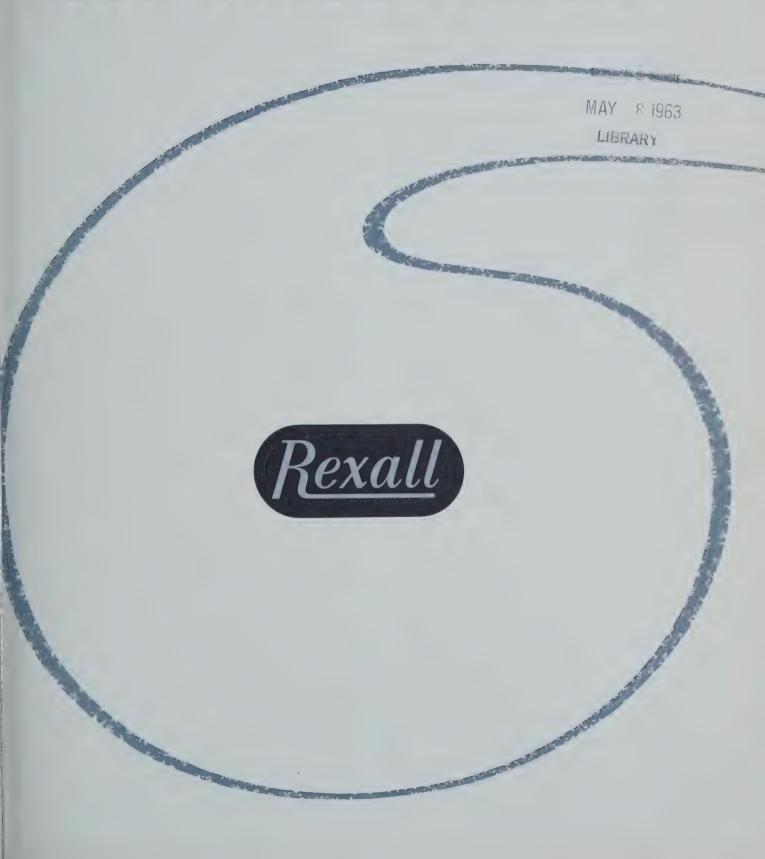
Only effervescent antacid with exclusive bismuth aluminate and pain killer added. Seltzer, powder, liquid and tablets.



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Rexall Drug and Chemical Company

1960 ANNUAL REPORT



BOARD OF DIRECTORS

CHESTER W. ANDERSON	Los Angeles, California
EARL E. ANDERSON	Montclair, New Jersey
WILLIAM K. ARCHER	
JOHN BOWLES	
ERNEST R. BREECH Elected Mar. 7, 1961	
JOHN C. CORNELIUS	Minneapolis, Minnesota
JUSTIN W. DART	Los Angeles, California
PAUL A. DRAPER	Boston, Massachusetts
ROLAND F. HALLETT	Los Angeles, California
F. THATCHER LANE	
WALTER T. LILLIE	
GEORGE L. MAISON, M.D.	Northridge, California
ADÉ SCHUMACHER	Greenwich, Connecticut
JAMES E. SHELTON	
HOLMES TUTTLE	Los Angeles, California
HAMER WILSON Elected Jan. 31, 1961	
EVERIENCE CONTINUE	
EXECUTIVE COMMITTEE	
JUSTIN W. DART, Chairman	
EARL E. ANDERSON	
PAUL A. DRAPER	Boston, Massachusetts
AUDIT COMMITTEE	
EARL E. ANDERSON, Chairman	Mantalain Nam Tanan
JOHN C. CORNELIUS	-
PAUL A. DRAPER	Boston, Massachusetts
OFFICERS	
JUSTIN W. DART	President

JUSTIN W. DART
CHESTER W. ANDERSON Vice President, Proprietary Drug and Retail Division
DONALD H. BREWER Vice President, Plastic Processing Division
ROLAND F. HALLETT Vice President and General Counsel
ROBERT L. KING Vice President, Industrial Relations and Public Relations
RALPH M. KNIGHTVice President, Chemical Division
WALTER T. LILLIE
BERT K. HENRY Controller
BENJAMIN H. DORMAN Secretary

TRANSFER AGENTS

Morgan Guaranty Trust Company of New York, New York Second Bank-State Street Trust Company, Boston Bank of America National Trust & Savings Association, Los Angeles

REGISTRARS

The Chase Manhattan Bank, New York The National Shawmut Bank of Boston, Boston United California Bank, Los Angeles

INDEPENDENT AUDITORS

Price Waterhouse & Co.

HEADQUARTERS

Rexall Square, 8480 Beverly Blvd., Los Angeles 54, California

Beads of polystyrene, magnified 25 times, are shown in this macro-photograph. Polystyrene is a hard plastic used in the manufacture of appliances, electrical equipment, building materials, toys and novelties, and in packaging. It is presently manufactured by Rexall in several locations.



The Year in Brief	
1960	1959
OPERATIONS	
Net Sales \$242,557,169	\$227,015,721
Net Earnings \$9,359,694	\$8,753,194
Per Share	\$2.30
NUMBER OF SHARES	
Average during year 4,013,717	3,801,549
Outstanding at year end 4,104,397	3,832,639
AT YEAR END	
Current Assets \$102,499,449	\$ 90,120,192
Less: Current Liabilities 31,580,264	33,243,683
Working Capital \$ 70,919,185	\$ 56,876,509
Long Term Debt \$ 38,697,794	\$ 29,930,895
Stockholders' Equity \$ 86,564,110	\$ 72,048,521
Per Share	\$18.80
DIVIDENDS — Per Share	
Cash	\$ 0.50
Stock 3%	3%

The President's Letter to the Stockholders

Net earnings of your Company increased slightly in 1960. For the year they amounted to \$9,359,694 or \$2.33 per share as compared with \$8,753,194 or \$2.30 per share for 1959. This was the ninth consecutive year of increased earnings.

During the year your Company entered into a substantial joint operating agreement with El Paso Natural Gas Products Company, a subsidiary of El Paso Natural Gas Company. This joint arrangement will produce ethylene, propylene, conventional polyethylene, linear polyethylene and polypropylene. The new undertaking marks another major step in the chemical operations of your Company. It provides the raw materials for a broadly based chemical program in the future. To finance a part of Rexall's share of this project a loan of \$35,000,000 has been arranged with a group of insurance companies. No common stock or other equity financing will be required. Plant construction for the new venture has already been started in Odessa, Texas, and production should begin early in 1962.

We are currently establishing manufacturing facilities for plastic processing operations in the European Common Market and in England and Australia. In addition, a joint operating arrangement for the manufacture of polyethylene in Europe is under consideration.

The expense of the chemical program and the expense of foreign activities will be heavy during the current year. Despite these factors, we believe that 1961 will be another good year for your Company.

Your ethical drug subsidiary, Riker Laboratories, Inc., made greater gains during the past year than in any year since its founding. Riker's research laboratories and production facilities will be substantially enlarged during the course of the current year.

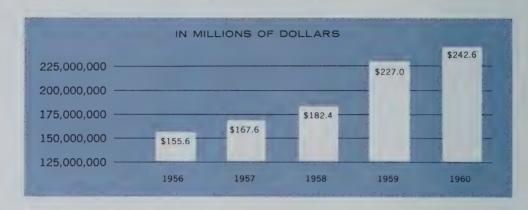
We hope you will be able to attend the annual meeting of the stockholders which will take place at the Company's headquarters in Los Angeles on April 18, 1961. If you are unable to be present, please exercise your right to vote by signing and returning the proxy forms you will receive with the meeting notice.

Sincerely,

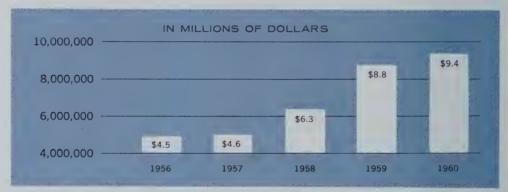
Los Angeles, California March 15, 1961 JUSTIN DART, President

Rexall Five Year Growth Record

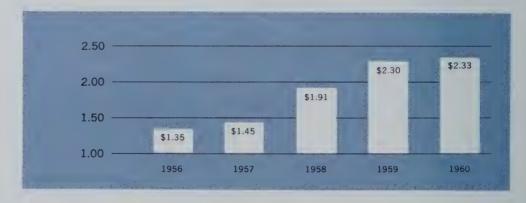
NET SALES



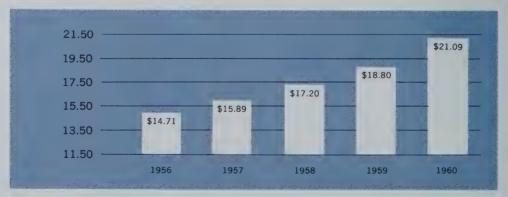
NET EARNINGS



EARNINGS PER SHARE



BOOK VALUE PER SHARE



REVIEW OF OPERATIONS

Financial

In 1960 net sales of all Company products were \$242,557,169 as compared with \$227,015,721 for 1959, an increase of \$15,541,448 or 6.8 per cent.

Ninth Consecutive Year of Increased Earnings The Company and its consolidated subsidiaries showed net earnings of \$9,359,694 for 1960, as compared with \$8,753,194 for 1959, an increase of \$606,500 or 6.9 per cent. The per share equivalents were \$2.33 for 1960 on 4,013,717 shares, the average number outstanding during the year. This compares with \$2.30 per share for 1959 on 3,801,549 shares, the average number outstanding during that year. On December 31, 1960, there were 4,104,397 shares outstanding as compared with 3,832,639 outstanding at the end of the prior year.

Earnings before taxes were \$17,759,694 in 1960 as compared with \$17,153,194 in 1959, an increase of \$606,500 or 3.5 per cent. Provision for United States and foreign taxes on income was \$8,400,000 for both years.

The statement of financial position as of December 31, 1960, showed current assets totaling \$102,499,449 of which \$24,307,329 was in cash and short term securities. Current liabilities were \$31,580,264, leaving net working capital of \$70,919,185.

Long term indebtedness increased \$8,766,899 during 1960 to a total of \$38,697,794, which includes \$10,000,000 borrowed in connection with the new manufacturing venture mentioned on page 21, less payments on debt previously outstanding. Total assets increased during the year to \$158,761,922 as compared with \$135,865,205 at the end of 1959.



During 1960 the Company continued its regular quarterly cash dividends totaling 50 cents per share. Following the policy initiated in 1958, the Board of Directors in October of 1960 voted a stock dividend of 3 per cent, payable March 10, 1961, to stockholders of record on February 3, 1961.

At December 31, 1960, stockholders' equity amounted to \$86,564,110 or \$21.09 per share, as compared with \$72,048,521 or \$18.80 per share at December 31, 1959.

Proprietary Drugs

The Proprietary Drug and Retail Division of Rexall is the most complex division within the Company. It consists of several different kinds of manufacturing facilities, a system of warehouses, two retail drug companies, a candy and restaurant chain, and several overseas subsidiaries.

Today, more than 2,500 products bearing the Rexall trademark or other trademarks owned by the Company are manufactured in the Company's St. Louis and Canadian laboratories. These products are distributed to more than 10,000 franchised Rexall drug store operators in the United States, approximately 1,500 in Canada and others in many parts of the world. Rexall products also are sold through two wholly owned retail drug chains.

Several important chains of drug stores became franchised Rexall dealers during 1960. Included are Gunning-Casteel, Inc. of El Paso, Texas, May's Drug Stores, Inc. of Cedar Rapids, Iowa, and Paine Drug Company of Rochester, New York. The Gray Drug Company of Cleveland, Ohio, a large Rexall dealer, brought 25 new outlets to the Company, adding that number of new stores to its already

existing chain.

Rexall Products
Are Sold
World-Wide

Aiding this expansion effort is the Rexall Realty Corporation, a partnership program sponsored by the Company. The purpose of this program, prompted by the population shift to the suburbs in recent years, is to help qualified individual pharmacists become the owners of Rexall drug stores in suburban shopping center locations.

Rexall Realty Helps Individual Pharmacist Rexall Realty Corporation gives the individual pharmacist the financial backing and bargaining position he needs to qualify under favorable terms as a tenant in such locations. With its corps of experienced and technically skilled people Rexall also helps the pharmacist to equip, merchandise and operate a modern store until such time as he becomes its sole owner. This partnership program is of great benefit to the individual pharmacist since he eventually owns a modern and potentially profitable outlet in a relatively brief period of time.

This program has been under way for the past few years and as of December 31, 1960, there were 79 Rexall "partnership" stores in operation. A substantial number of leases have been signed for stores opening in 1961 and 1962.

MANUFACTURING OPERATIONS

Proprietary Drug manufacturing operations of the Company are based in Rexall's St. Louis Laboratories. A proprietary drug is distinguished from an ethical drug by the fact that it is advertised and usually sold without a prescription.

New Equipment Helps Cut Costs During 1960 Rexall's St. Louis facility continued a program of automation designed to increase production and decrease cost. Here are some examples: (1) The liquid-filling line and the aerosol division were doubled in production capacity; (2) New electronically controlled tablet compressors were installed in the Laboratories, making possible production of multi-layered tablets.

The Laboratories work closely with the Research and New Product Development Department of the Company in Los Angeles. Out of this work have grown a number of new products which will be introduced during 1961. Included are Rexall Instant Protein, a natural protein concentrate that helps maintain energy; Rexall Morning Mist Lipstick, a moisturizing formula with true U.S. certified shades; Rexall Color Glory, a new cream formula hair tint; and Rexall Calmative Tablets, a new, non-prescription formula for relief of nervous tension.

New and more effective formulae also were perfected for such specialties as Rexall Super Anapac, a line of cold remedy products; Rexall Bisma-Rex, a stomach antacid; and Rexall Super Plenamins, the largest selling multiple vitamin-mineral product in the United States.

Rexall Advertising Backs Product Sales

Rexall backs its production and sale of drug store products with an extensive advertising program. In 1960 this program was the broadest in the history of the Company.

Last year, in January and April hour-long television spectaculars were presented. In March, spot participations were purchased on seven national television network programs. Twenty-five product advertisements appeared in national magazines between January and September. Full page and double page advertisements promoting Rexall One Cent Sales and other major events appeared in 380 Sunday newspapers by means of Sunday supplements such as "This Week Magazine," "Parade" and "Family Weekly."

Two advertisements were placed in "Life Magazine" during the year, both in color. One was six pages, the other four.

"National Velvet" Introduced To Public On September 18, 1960, Rexall introduced a new television series—"National Velvet"—to the families of America. This new Rexall show appears on more than 200 TV stations on Sunday evenings and has an estimated audience of more than 10 million homes.

THE SEAMLESS RUBBER COMPANY

The Seamless Rubber Company serves the health and medical market with such items as surgeons gloves, hot water bottles and other products of a similar nature. This Company's products are sold nationally through specially trained hospital sales representatives. Seamless also produces a line of drug store health items such as fountain syringes, nasal aspirators, baby feeding products and a variety of adhesive tapes.

Seamless Produces Sports Equipment

A second field of activity is the manufacture of sports equipment. Included are swim caps, basketballs, footballs and many other sports items. "Nemrod by Seamless", a new line of skin diving equipment, was introduced in 1960.

For over 30 years Seamless has been active in supplying pressure-sensitive adhesive tapes to industry. They are made with backings of paper, cloth, plastics, glass and metal foils. Industrial tapes are used in the manufacture of electrical equipment, automobiles, trucks, airplanes and for many other purposes.

The Company also has perfected a polyethylene pipe wrap for the corrosion protection of oil, gas, chemical and water pipelines. Several installations were made on major pipelines during 1960.

United Cotton Moves Into Larger Plant Two other companies operate under the direction of The Seamless Rubber Company. They are The Absorbent Cotton Company and the United Cotton Products Company. Absorbent Cotton is a manufacturer of cotton and gauze products for hospitals, and United Cotton Products is a manufacturer of abrasive materials for the metal industry. The latter moved into new and larger quarters during 1960, thus making increased space available for the manufacture of new products which the Company plans to put into production during 1961.

RETAIL OPERATIONS

Three retail chains operate within the framework of the Proprietary Drug and Retail Division. They are Liggett Drug Company, Inc., The Owl Drug Co. and Blum's.

Liggett
Upgrades Outlets

As of December 31, 1960, the Liggett Drug Company, Inc. had 128 Company owned stores and 232 agency stores. (Agency stores are individually owned but franchised under the Liggett name.) Liggett stores are located primarily in New England, New York City and in the Southern States.

During the year there was little change in the total number of Company stores carrying the Liggett name. Twenty-three agency stores were added to the chain. Throughout the year Liggett continued to dispose of marginal stores and replace them with considerably larger shopping center locations, thus increasing the sales volume per outlet. Liggett intends to continue this policy during 1961.

Owl Operates
31 Stores in West

The Owl chain is located mainly in California. During the past two years 31 Owl stores were closed or sold and 13 other stores were completely remodeled. At the end of 1960 Owl had 31 stores in operation, 23 of them operating under the new name, "Drug King", which Owl is using for its new or remodeled "direct shipment" outlets.

Blum's is the third of Rexall's retail operations. Candies manufactured by Blum's in San Francisco are marketed through Company owned stores in the San Francisco Bay area, Los Angeles and New York, as well as through selected department stores in major cities throughout the United States.

Blum's To Open New Outlet Blum's also produces and markets pastry, and it is continuing to expand its restaurant operations in California. Ten of Blum's outlets are now combined operations, offering the customer fine foods, bakery products, candy and ice cream. Another of these outlets is expected to open in San Jose, California during 1961.



Ethical Drugs

Riker Laboratories Inc., located in Southern California, is Rexall's Ethical Drug Division. Riker has become known for its staff of top-ranking scientists, its basic research and its product line of prescription drugs.

Products include Norflex, a drug for muscular spasms; Deaner, a nontoxic anti-depressant; Veriloid and Rauwiloid for the management of hypertension; Medihaler-Iso and Medihaler-Epi for the relief of bronchial asthma; Medihaler-Ergotamine for vascular headaches.

During 1960 Riker was enlarged and strengthened by the addition of two smaller pharmaceutical businesses. These were the Darwin-Harvard group of companies in Los Angeles, and SchenLabs, formerly a division of Schenley Industries, Inc.

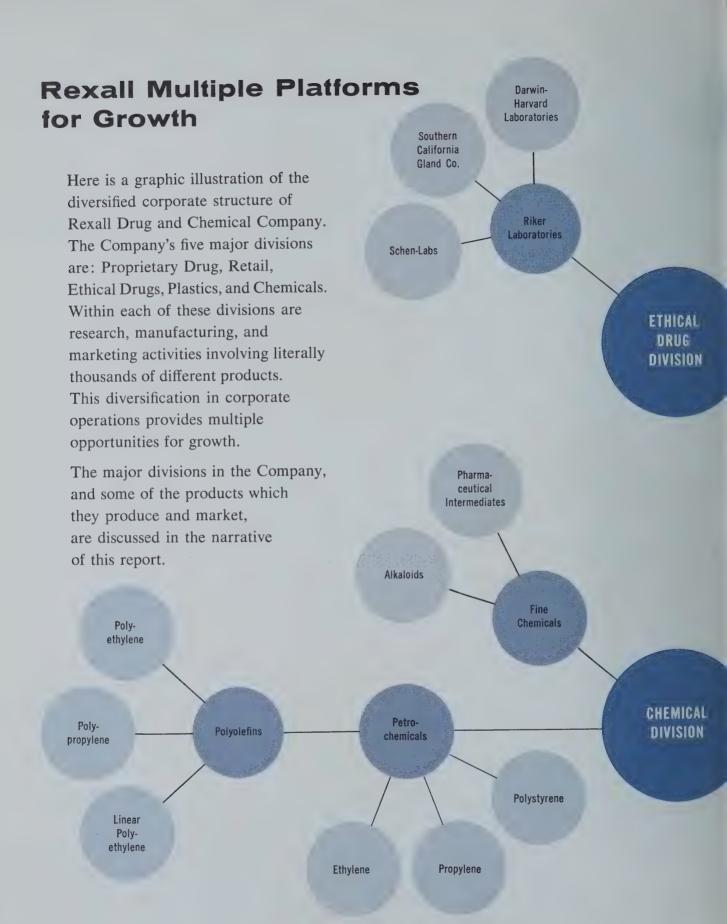
Darwin-Harvard brought many advantages to Riker. These included useful administrative and technical personnel, experience in producing liver extracts which are helpful to Rexall's Proprietary Drug Division and significant research leads on enzymes. Darwin-Harvard's best known product, Lipo-Hepin, is an anticoagulant used for various heart and blood conditions.

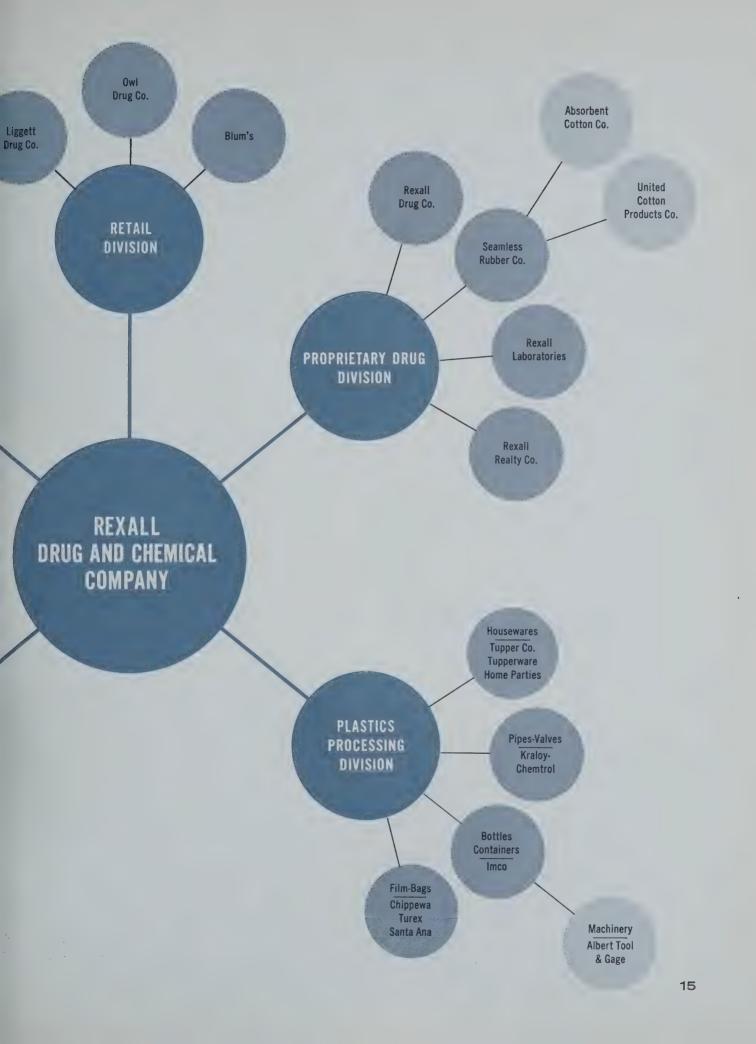
SchenLabs became a part of Riker in July 1960. From this organization Riker added a well seasoned group of detail men who call upon physicians and hospitals to provide information about Riker products. The new force of detail men, together with Riker's own steadily growing force, provides the Company with the capability to bring new products rapidly to the attention of the medical profession. Several well known drug products were acquired, including Titralac, a popular antacid, particularly for the relief of ulcer symptoms, and the Dorbane group of laxatives, which are particularly useful in connection with cardiovascular conditions, after surgery, and for various other special medical problems.

Riker Strengthened

By

New Products







A new non-narcotic medication for coughs known as "Ulo" was introduced by Riker in 1960. Rights to the drug, a product of Farbenfabriken Bayer of West Germany, and a number of other Bayer developments came to Riker as part of the SchenLabs acquisition.

New Construction Now In Progress Because of the growing demand for Riker products, additional construction is now in progress at the laboratories. Future expansion needs have been safeguarded by the purchase of additional land adjacent to Riker's present facilities.

In 1960 important Riker events outside the United States include activation of Riker Laboratories (New Zealand) in Wellington; the growing success of Riker Laboratories (Australia) which was started in 1958; and the rapid and continuing growth of Riker Laboratories Limited (England).

Plastics Processing

The Plastics Processing Division of Rexall includes 14 manufacturing plants strategically located in 13 cities in the United States and Canada. This division manufactures plastic products for the home; a wide variety of plastic containers and "squeeze" bottles for the detergent, drug, cosmetic and allied industries; plastic film for packaging and for agricultural and construction use; plastic pipe, valves and fittings. It also has organized a mechanical research section for improving processing equipment.

Rexall's manufacturer of plastic housewares, the Tup-

per Company, is a multiple plant operation located in New England. The plants manufacture more than 100 plastic products for the home out of light weight, high quality polyethylene. The majority of the items are food serving

and storage containers.

Tupperware Is High Quality Houseware Tupperware was first introduced to the market in 1945 and by 1947 it was widely known throughout the nation. Its simple lines, its light weight and its exceptionally high quality have made a tremendous impression on the homemakers of America. The patented Tupper Seal, an air-tight, moisture-proof, flexible cover is a unique feature which aids in preserving foods.

Quality Control Is Paramount At Tupper

Precision manufacturing is observed at the Tupper factories. Each individual Tupperware product is carefully checked and tested before packaging. The Tupper staff of engineers is continuously engaged in designing and creating new products which possess unique advantages.

Tupperware is sold exclusively on the Tupperware Home Party Plan. At headquarters in Orlando, Florida, Tupperware Home Parties Inc. has a small and skillful staff who coordinate the sales, advertising and promotion activities of its distributors, managers and many thousands of dealers throughout the United States, Canada and Puerto Rico. The dealers are guided by their managers and distributors. Tupperware's unusual features are demonstrated and sold at individual homes by the dealers. Colorful advertising, supported by a sales incentive program, including prizes for distributors, managers, dealers and hostesses, and constant recognition of the importance of all these people, are keys to the success of the Tupperware Home Party Plan. Near the end of 1960 and during the first quarter of 1961, Tupperware Home Parties was extended to England and Australia. First reports indicate a general acceptance in both countries.

IMCO Increases Production Capacity

Rexall's subsidiary for the manufacture of plastic bottles and containers, the IMCO Container Company, increased its production capacity during 1960. The demand for plastic containers for packaging drugs, cosmetics, toiletries and liquid detergents continues to grow and Rexall is in an excellent position to benefit from this growth.

Since production equipment used in IMCO's plastic bottle manufacturing cannot be purchased readily, the Company's Kansas City, Missouri, headquarters plant provides the facilities for a machinery construction program. The Albert Tool & Gage Co. Inc., another Kansas City subsidiary, is the creative instrument in this program.

Among IMCO's new products, recently introduced, is a unique double-walled plastic jar for the packaging of creams and salves. In 1961 IMCO expects to provide containers for the manufacturers of liquid laundry bleach, who recently announced their intention of packaging products in plastic.

Film Section Is Organized

Formation of a national film section in 1960 served to correlate the responsibility for production, sales, engineering and development of film products.

Rexall produces plastic film at three locations, two of which began operations during 1960. Most of Rexall's film products are used by the packaging industry. Consequently, development programs are in progress to expand the film product line into new products and fields.

Polyethylene Pipe Added to Kraloy Line Kraloy-Chemtrol, which produces plastic pipe, valves and fittings, is a substantial producer of polyvinyl chloride pipe. Pipe sizes range from 3/8 to 12 inches in diameter. During the latter part of 1960 Kraloy added polyethylene pipe to its product line and plans to manufacture an increasing quantity of it during 1961.

Improvements in the Chemtrol line of pipe fittings are in progress through advanced engineering design, mold construction and tests. In the latter part of 1960 Kraloy-Chemtrol introduced a corrosion-resistant pump for safe handling of hot acids, alkalis, salts and solvents. This pump is on test at a number of chemical plants.

The newly organized mechanical research section concentrates on development of equipment and techniques for the manufacture of new and better products in all fields of plastics processing.



Chemical Division

In January 1960 Rexall Drug and Chemical Company consolidated all of its chemical activities into Rexall Chemical Division.

At that time Rexall had two fields of chemical activity: (1) the manufacture of polystyrene, a petrochemical used in packaging and in the manufacture of appliances, electronic equipment, building materials, toys and novelties and (2) fine chemicals, which are chemical products produced for the pharmaceutical industry.

On April 29, 1960, a joint agreement for the production of petrochemicals was announced by Paul Kayser, Chairman of the Board of El Paso Natural Gas Company, and Justin Dart, President of Rexall Drug and Chemical Company.

They reported the joint arrangement would include plants at Odessa, Texas, for the production of olefins, polyolefins and chemicals. (An olefin is a single moleculed product such as ethylene, sometimes called a monomer. A polyolefin is a complex structure made of many molecules linked together, such as polyethylene.)

El Paso will supply the raw materials and will manufacture ethylene and propylene and Rexall will convert them into conventional polyethylene, linear polyethylene, polypropylene and other chemicals.

Initial capacity of the olefin plant is expected to be 180,000,000 pounds annually while the initial combined capacity of the polyolefin plants (for manufacture of both kinds of polyethylene and polypropylene) is expected to be more than 150,000,000 pounds annually.

Ground was broken on the Odessa project early in October, and the first of the plants, which will produce conventional polyethylene, is expected to be completed by

Joint Arrangement
With El Paso
Natural Gas
Products Co.

Strands of polystyrene enter a cooling vat. Polystyrene, widely used in industry, is now manufactured by Rexall in two locations and will be produced in a third before the end of the current year.

January 1, 1962. It will be followed by construction of facilities for producing linear polyethylene and polypropylene.

Paul Kayser Research & Sales Development Center In August of 1960 Rexall and El Paso Natural Gas Products Company announced plans to construct research and office facilities together with pilot plants in Paramus, New Jersey. This laboratory has been named by the Rexall Board of Directors after Paul Kayser, Chairman of the Board of El Paso Natural Gas Company. The pilot plants will be used for development work on conventional polyethylene, linear polyethylene and other polyolefins. The office and research facility, which will have 50,000 square feet of space for laboratories, marketing, sales service and research offices, should become functional in the near future.

The production of polystyrene also moved ahead during 1960 and plans were announced before the end of the year for construction of a third polystyrene unit in the Chicago area. Polystyrene currently is produced at two locations, one in New England, the other a new facility in Southern California. The Chicago plant should be completed by the end of the fourth quarter of 1961, thus giving Rexall Chemical a polystyrene production center in each of the three major sections of the country.

Range of Styrene To Be Offered Each plant will be capable of producing a complete range of styrene type polymers. Each embraces Rexall's concept of regional production units to provide fast delivery and specialized material production for customers in specific market areas.

Rexall also announced in December of 1960 it plans to sell a wide range of conventional and linear polyethylene prior to its own units coming on stream. All the basic materials to be sold have been selected with the aim in mind of providing Rexall with a line of polyethylene unsurpassed in the country.

The Chemical Division also has established a national sales organization. The United States has been divided into

three sales regions—Eastern, Midwestern and Western, and regional managers appointed to be responsible for marketing functions in each. Each region will have warehouse facilities and specialty-product preparation facilities to fill specific needs of customers.

Rexall's fine chemical production is from two plants. They are Carnegies of Kearny, Kearny, New Jersey, and Carnegies of Welwyn, which is located in England.

Carnegies of Kearny manufactures various salicylates (the principal ingredient used in aspirin), methyl salicylate (oil of wintergreen), and various choline salts.

Carnegies Installs
New Facilities

New facilities for the production of fine chemicals are now being installed at Carnegies of Welwyn. Scheduled for completion early in 1961, these facilities will improve Carnegies of Welwyn's already established reputation for the production of quality fine chemicals including adrenaline and adrenaline derivatives, bismuth salts, piperazine salts and alkaloids such as brucine, caffeine, strychnine and quinine.

Statement of Financial Position

ASSETS

CURRENT ASSETS	1960	1959
Cash Short term securities at cost and redemption amount	\$ 22,548,148 1,759,181	\$ 15,208,342 960,021
	24,307,329	16,168,363
Accounts and notes receivable, less reserves of \$1,072,414 in 1960 and \$975,988 in 1959		
Trade, including subsidiaries not consolidated	25,084,912	22,177,891
Others	4,486,905	3,037,020
Inventories, at cost or market whichever lower		
1960 1959		
Raw materials and supplies \$ 7,961,337 \$ 7,029,494		
Work in process		
Finished merchandise	48,620,303	48,736,918
Total current assets	102,499,449	90,120,192
INVESTMENTS, ADVANCES AND NONCURRENT		
RECEIVABLES		
Investments in and advances to United States subsidiaries		
not consolidated (Rexall equity in net assets		
\$2,669,000 in 1960 and \$1,744,000 in 1959)	2,525,451	1,726,302
Due from sale of retail stores and other properties	2,150,321	1,644,482
Due from officers and employees under stock purchase plan	197,911	351,111
Other receivables, deposits and investments	1,988,709	1,328,621
	6,862,392	5,050,516
PROPERTY ACCOUNTS, AT COST		
Land	1,699,769	1,878,386
Buildings and building fixtures	14,999,906	15,031,586
Machinery and equipment	29,397,299	24,744,200
Store fixtures, leaseholds and improvements	11,106,733	12,646,566
Construction in progress	2,934,755	2,272,080
	60,138,462	56,572,818
Less accumulated depreciation	24,669,500	23,491,848
	35,468,962	33,080,970
INSURANCE, TAXES, RENT AND OTHER DEFERRED CHARGES	1,772,305	1,376,473
DEL ZINNED GITANGES	.,2/000	
INTANGIBLES		
Excess of investments in businesses purchased over net assets acquired	7,647,425	5,693,481
Patents (less amortization), licenses, trademarks, etc.	4,511,389	543,573
	12,158,814	6,237,054
	\$158,761,922	\$135,865,205
See accompanying notes to financial statements.		=======================================

December 31, 1960 and 1959

LIABILITIES

CURRENT LIABILITIES	1960	1959
Notes payable to banks		\$ 2,250,000
Accounts payable	\$ 13,086,622	12,941,522
Accrued wages, salaries and taxes thereon	5,199,800	5,103,073
Other accrued expenses	6,038,426	5,977,412
Current instalments of long term indebtedness	1,230,675	1,329,648
Estimated United States and foreign taxes on income		
for current and prior years	6,024,741	5,642,028
Total current liabilities	31,580,264	33,243,683
LONG TERM INDEBTEDNESS —less current instalments shown above		
Unsecured notes, 33/8 % to 53/4 %, due in instalments 1961 to 1982.	36,851,000	27,977,000
Real estate and equipment obligations	1,846,794	1,953,895
	38,697,794	29,930,895
DEFERRED UNITED STATES		
AND FOREIGN TAXES ON INCOME	950,000	450,000
MINORITY INTEREST IN		
CONSOLIDATED SUBSIDIARIES	969,754	192,106
STOCKHOLDERS' EQUITY		
Capital stock of Rexall Drug and Chemical Company Authorized, 10,000,000 shares, par value \$2.50 each		
Issued, 4,135,960 shares in 1960 and 3,865,371 in 1959	10,339,900	9,663,428
Capital in excess of par value per accompanying statement	28,740,831	17,008,952
Retained earnings per accompanying statement (Of the 1960 amount \$4,558,326 is reserved for a 3% stock dividend of 123,198 shares payable March 10, 1961)	47,786,617	45,690,816
	86,867,348	72,363,196
Less cost of reacquired capital stock, 31,563 shares		
in 1960 and 32,732 shares in 1959	303,238	314,675
Total stockholders' equity	86,564,110	72,048,521
	\$158,761,922	\$135,865,205

Statement of Earnings and Retained Earnings

	1960	1959
Sales, less returns, allowances and discounts	\$242,557,169	\$227,015,721
Cost of goods sold	148,426,624	137,591,728
Selling, distribution, promotional and administrative expenses	70,768,760	67,160,448
Depreciation	3,799,823	3,519,963
Interest on indebtedness	1,802,268	1,590,388
	224,797,475	209,862,527
Earnings before taxes on income	17,759,694	17,153,194
Provision for United States and foreign taxes on income	8,400,000	8,400,000
Net earnings for the year	9,359,694	8,753,194
Retained earnings at beginning of year	45,690,816	41,162,825
	55,050,510	49,916,019
Less:		
Cash dividends, 50¢ per share Stock dividends, 3%, 115,010 shares at \$45.75 per share paid in March 1960 and 103,663 shares at \$23 per share	2,002,185	1,840,954
paid in March 1959	5,261,708	2,384,249
	7,263,893	4,225,203
Retained earnings at close of year	\$ 47,786,617	\$ 45,690,816

See accompanying notes to financial statements.

Statement of Capital in Excess of Par Value

	1960	1959
At beginning of year	\$ 17,008,952	\$ 12,249,504
Excess of fair value over par value of capital stock issued as stock dividends, 115,010 shares in 1960 and 103,663 shares in 1959 Excess of fair value over par value or cost of 146,200 shares in 1960 and 80,980 in 1959 of capital stock (partly reacquired stock) exchanged for capital stock or net	4,974,183	2,125,092
assets of companies acquired	6,644,359	2,576,981
Other credits	113,337	57,375
At close of year	\$ 28,740,831	\$ 17,008,952

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

BASIS OF CONSOLIDATION: All wholly owned domestic and foreign subsidiaries and two majority owned domestic subsidiaries are consolidated. The minority interest in ownership of the latter companies is shown separately in the statement of financial position. The minority interest in income is insignificant. Accounts of Canadian subsidiaries are included at par; the other foreign accounts (principally English) are translated into U. S. dollar equivalents at quoted yearend exchange rates.

On December 29, 1960, Rexall sold an 18.75% interest in a wholly owned subsidiary to El Paso Natural Gas Products Company, a subsidiary of El Paso Natural Gas Company, and granted options for the sale of an aggregate additional 31.25% interest over a two year period ending December 31, 1962. The ethical pharmaceutical division of Schenley Industries, Inc., and several other smaller businesses were acquired in 1960. The sales and net earnings or losses of these companies are included in the consolidated accounts for the respective periods of Rexall ownership. The excess of Rexall's investment, the fair value of the 146,200 shares of capital stock (partly reacquired stock) issued in exchange for the capital stock or net assets of the purchased businesses, over the net assets acquired, mostly current assets, licenses and trademarks, amounted to \$2,238,806. In accordance with the practice followed in prior years with respect to similar items, which are set forth separately in the statement of financial position, this amount is not being amortized.

JOINT OPERATING AGREEMENT: In 1960 Rexall entered into a joint operating agreement with El Paso Natural Gas Products Company for the future production and marketing of olefins, polyolefins and other chemicals. Construction of plant facilities has commenced. The agreement provides that Rexall and El Paso shall each own an undivided one-half interest in the land, buildings, improvements, fixtures, machinery, equipment, materials and personal property used in connection with the chemical plants to be constructed. At December 31, 1960, the cost of Rexall's undivided one-half interest in such assets amounted to \$1,732,655 and is included in Construction in Progress in the accompanying statement.

Rexall's share of the total cost of the ethylene and conventional polyethylene facilities to be completed early in 1962 is estimated to be \$21,000,000. It is anticipated that additional plants to produce propylene, linear polyethylene and polypropylene will be constructed in 1963 and 1964. To finance most of its share of the estimated cost of all joint operating facilities contemplated under the El Paso contract, Rexall has entered into loan agreements with a group of major insurance companies for an aggregate issue of \$35,000,000 in unsecured notes due in 1982. Under these financing agreements dated as of December 31, 1960 Rexall has borrowed \$10,000,000 and will borrow the balance in late 1961 and 1962. The \$10,000,000 proceeds received in February 1961 were applied to the payment of \$10,000,000 of unsecured 1960 bank loans due in 1962. This application has been reflected in the accompanying statement of financial position as at December 31, 1960.

TAXES ON INCOME: Claims for refund of United States taxes were filed in 1953 based upon the contention that the excess profits tax credits should be increased for the years 1940 to 1945, inclusive. In connection with such claims, waivers have been executed and are still outstanding as to certain such years. While final action has not yet been taken on the claims, the Treasury Department has made protective assessments of additional income taxes for 1942, 1943 and 1944 based principally upon substantial reductions claimed in the amount of income subject to excess profits taxes in those years. If the proposed adjustments giving rise to the protective assessments are approved, the reduction in excess profits taxes will substantially exceed the related income tax assessed, whereas disapproval of the proposed adjustments would

substantially eliminate the basis for the additional income tax assessments. No amounts have been included in the financial statements with respect to these claims or the protective assessments.

Deferred taxes on income applicable principally to additional depreciation deducted for tax purposes increased during the year and has been classified separately in the statement of financial position. The comparable amount for 1959 is also shown separately.

STOCK OPTIONS: Pursuant to a stock option plan adopted in 1957 and amended in 1959 and 1960 with stockholder approval, and under options granted in 1956, a total of 480,000 shares of capital stock of the Company were reserved for purchase by officers and employees under options granted or to be granted. The option price is the market price of the stock on the date options are granted. The options are not assignable and are generally exercisable cumulatively in ratable amounts over a period of ten years. The number of shares in all outstanding options are increased ratably with no change in the aggregate dollar amounts upon payment of stock dividends. Options for 7,677 shares were exercised prior to 1960. A summary of changes in stock options during 1960 is set forth below:

	Options	Granted	Options Exercisable		
	Shares	Amount	Shares	Amount	
Balance at beginning of year	210,715	\$4,625,338	17,819	.\$199,693	
Adjustment for stock dividend	0.127		524		
paid Options which were granted or became exercisable	9,127	7.026.212	534	475 500	
during year Options	163,000	7,036,312	22,224	475,508	
exercised	(10,579)	(139,547)	(10,579)	(139,547)	
Options cancelled	(43,407)	(1,623,156)			
Balance at end of year	328,856	\$9,898,947	29,998	\$535,654	

At December 31, 1960 there were 145,250 shares for which options could be granted. In January 1961 options for 8,000 shares for an aggregate amount of \$367,500 were granted.

EARNINGS AVAILABLE FOR DIVIDENDS: Under agreements dated December 31, 1960 covering long term indebtedness \$4,000,000 of the \$47,786,617 of retained earnings at December 31, 1960 is not restricted as to payment of cash dividends. The agreements impose no restriction on the payment of stock dividends.

LEASE LIABILITIES: At December 31, 1960 the Company and its consolidated subsidiaries were committed under some 296 leases of real property expiring more than three years after that date with minimum annual rentals of approximately \$5,172,000. Approximately one percent of this amount relates to leases expiring more than 25 years after December 31, 1960.

In addition, subsidiary companies have leased (most with options to purchase) store fixtures for periods of six and a half years or more, in most cases at aggregate basic rentals which over the lease periods approximate the cost of the fixtures plus carrying charges. The present total annual rental payable is approximately \$1,257,700.

Rentals for automobiles leased for periods extending beyond December 31, 1963 amounted to \$727,000 per year at December 31, 1960.

Independent Auditors Report

PRICE WATERHOUSE & Co.

530 WEST SIXTH STREET

LOS ANGELES 14

March 6, 1961

To the Board of Directors

of Rexall Drug and Chemical Company

In our opinion, the statements on pages
24 to 27 present fairly the financial position of
Rexall Drug and Chemical Company and its consolidated
subsidiaries at December 31, 1960 and the results
of their operations for the year, in conformity with
generally accepted accounting principles applied
on a basis consistent with that of the preceding year.
Our examination of these statements was made in
accordance with generally accepted auditing standards,
and accordingly included such tests of the accounting
records and such other auditing procedures as we
considered necessary in the circumstances.

Price Waterhouse a Co.

Statistical Summary

in thousands of dollars

FINANCIAL OPERATIONS	1960	1959	1958	1957	1956	1955
Net sales\$	242,557 \$	227,016	\$ 182,371	\$ 167,567	\$ 155,633	\$ 153,465
Earnings before income taxes	17,760	17,153	11,605	9,214	9,074	8,916
income taxes	8,400	8,400	5,300	4,600	4,600	4,850
Net earnings	9,360 \$	8,753	\$ 6,305	\$ 4,614	\$ 4,474	\$ 4,066
Earnings per share of capital stock \$	2.33* \$	2.30*	\$ 1.91*	\$ 1.45	\$ 1.35	\$ 1.19

^{*}Based upon the average of shares outstanding during the year.

FINANCIAL POSITION	1960	1959	1958	1957	1956	1955
Cash and short term						
securities	\$ 24,307 5	16,168	\$ 20,003	\$ 14,431	\$ 14,533	\$ 17,830
Accounts receivable	29,572	25,215	20,054	17,726	16,722	15,005
Inventories	48,620	48,737	43,870	40,119	35,436	34,563
Current assets	102,499	90,120	83,927	72,276	66.691	67,398
Less, current liabilities	31,580	33,243	29,172	22,178	20,840	19,718
Working capital	70,919	56,877	54,755	50,098	45,851	47,680
Property, machinery and	.,	,	.,,	00,070	40,001	47,000
equipment (net)	35,469	33,081	26,015	20,162	18,207	17,639
Investments, advances, pre-						
paid expenses, etc.	8,635	6,427	5,304	4,645	6,070	4,653
Intangibles	12,159	6,237	4,489			
Less:						
Real estate and equipment obligations	1.047	1.054	0.050	070	011	
Other long term	1,847	1,954	2,058	978	811	883
indebtedness	36,851	27,977	29,103	23,376	20,622	22,020
Deferred taxes	30,031	27,777	27,103	23,370	20,022	22,020
on income	950	450				
Minority interest in con-						
solidated subsidiaries	970	192				
Stockholders' equity	\$ 86,564 \$	72,049	\$ 59,402	\$ 50,551	\$ 48,695	\$ 47,069
Stockholders' equity,						
•	\$ 21.09 \$	18.80	\$ 17.20	\$ 15.89	\$ 14.71	\$ 13.72
Number of shares of stock						
outstanding		3,832,639	3,454,449	3,181,673	3,310,756	3,429,732
Number of stockholders	20,287	19,151	16,911	15,852	15,865	15,807

Amounts for 1959 and 1960 include additional foreign subsidiaries.



